新移動

新世界移動控股有限公司

New World Mobile Holdings Limited

(Stock Code : 862)

Annual Report 2005/2006

CONTENTS

NEW WORLD MOBILE HOLDINGS LIMITED
17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong
Tel (852) 2133 8365 Fax (852) 3111 9166

MEMBER OF NEW WORLD GROUP

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Dr. Cheng Kar Shun, Henry *(Chairman)*
Mr. Doo Wai Hoi, William, *JP (Vice Chairman)*
Dr. Wai Fung Man, Norman
(Chief Executive Officer)
Mr. Chow Yu Chun, Alexander
Mr. To Hin Tsun, Gerald

Non-executive Directors:

Mr. Ho Hau Chong, Norman
Mr. Lo Lin Shing, Simon

Independent Non-executive Directors:

Mr. Hui Chiu Chung, *JP*
Mr. Kwong Che Keung, Gordon
Mr. Tsui Hing Chuen, William, *JP*

COMPANY SECRETARY

Mr. Sien Yun Man

QUALIFIED ACCOUNTANT

Mr. Sien Yun Man

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISER

Iu, Lai & Li

PRINCIPAL BANKERS

Standard Chartered Bank

AUDIT COMMITTEE

Mr. Kwong Che Keung, Gordon *(Chairman)*
Mr. Hui Chiu Chung, *JP*
Mr. Tsui Hing Chuen, William, *JP*

REMUNERATION COMMITTEE

Dr. Wai Fung Man, Norman *(Chairman)*
Mr. Hui Chiu Chung, *JP*
Mr. Tsui Hing Chuen, William, *JP*

REGISTERED OFFICE

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17th Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay
Hong Kong

PRINCIPAL SHARE REGISTRARS

Butterfield Fund Services (Cayman) Limited
Butterfield House
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRARS

Abacus Share Registrars Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

862

WEBSITE

www.newworldmobile.com.hk

CHAIRMAN'S STATEMENT

The financial year ended on 30 June 2006 was a year of change for the Group.

On 31 March 2006, the Group completed the merger of its mobile communications arm, which operated under the trade name "New World Mobility", and Telstra CSL Limited and its subsidiaries, and as a result, holds 23.6% of the shares of the resulted merged group, comprising CSL New World Mobility Limited and its subsidiaries (collectively, the "CSL NWM Group"). We believe the merger will enable the two mobile communications operators to achieve cost saving by rationalising expenditures and accelerating the development and launch of new products and services. This, in turn, will enable the merged business to achieve continuous business growth in the highly competitive mobile communications market in Hong Kong. The management of the Group will continue their support to the CSL NWM Group by providing valuable inputs on the local mobile communications business.

By acquiring New World CyberBase Solutions (BVI) Limited and its subsidiaries in October 2005, the Group has expanded its operation in Mainland China by entering into technology related business. The newly acquired arm mainly provides innovative mobile Internet services such as multimedia messaging services. With the growing number of Internet users and mobile users in Mainland China, we have confidence in the long-term growth of the mobile Internet business in Mainland China.

Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 10 October 2006

CEO'S REPORT

FINANCIAL HIGHLIGHTS

For the year under review, the Group recorded a profit attributable to shareholders of HK$911.6 million, as compared to a loss of HK$10.4 million in the previous year. The merger of New World PCS Holdings Limited and its subsidiaries (collectively, the "NWPCS Group") and Telstra CSL Limited and its subsidiaries (collectively, the "Telstra CSL Group") completed on 31 March 2006 gave rise to a gain of HK$1,023.0 million on disposal of the NWPCS Group. After the merger, the NWPCS Group became part of the CSL NWM Group and the Group holds 23.6% of the CSL NWM Group.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 30 June 2006 (2005: Nil).

REVIEW OF RESULTS

Amid severe market competition intensified by aggressive pricing strategies adopted by local mobile operators for their 2G and 3G services and handsets, the NWPCS Group's mobile communications services business managed to achieve growth in revenue. Profit of the NWPCS Group for the nine months up to the date of disposal of the NWPCS Group was HK$22.2 million, an annualised 19% decrease compared to the same period the previous year. The decrease in profit was mainly caused by the lower gross margin of sales of mobile handsets, which represented an increasing proportion of the total revenue in the current year, and was mitigated by the NWPCS Group's continuous effort in containing operating expenditures.

The integration of the NWPCS Group and the Telstra CSL Group resulted in cost savings in the first three months after the merger, especially in expenditure on network maintenance and call centers. In the first three months after the merger, which ended on 30 June 2006, the Group's share of results of the CSL NWM Group was HK$27.7 million.

The Group has tapped into the mobile Internet market in Mainland China by acquiring technology related business in October 2005. The newly acquired technology related business recorded improvement in revenue, which was attributed to the sales and marketing activities, and the launch of new products and services to retain existing subscribers and attract new subscribers resulting in growth in number of subscribers.

CEO'S REPORT

OUTLOOK

With our strong product development team developing innovative and interactive products and services, and the strategy of forming alliances with major mobile operators in Mainland China as well as with international record labels and Internet search engines, we believe the Group will be able to capitalise on the growing Internet and mobile communications market in Mainland China, and therefore, we anticipate long-term growth in our mobile Internet business.

With our 23.6% share of the CSL NWM Group, the Group will benefit from the integration of the mobile communications businesses of the NWPCS Group and the Telstra CSL Group in Hong Kong. Synergy is expected in the form of complementary network technologies, brands and business strategies. Synergy will also arise from rationalisation in various areas of the businesses, especially network assets, commercial activities, and information technology systems, economies of scale of operation and stronger bargaining power with suppliers.

ACKNOWLEDGEMENT

Finally, the Group would like to take this opportunity to express gratitude to our valued customers, shareholders and business partners for their continuous support, and to all colleagues for their hard work and devotion to the Group.

Dr. Wai Fung Man, Norman
Executive Director and Chief Executive Officer

Hong Kong, 10 October 2006

MANAGEMENT DISCUSSION AND ANALYSIS

DISPOSAL OF NWPCS GROUP AND ACQUISITION OF CSL NWM GROUP

On 8 December 2005, the Group entered into a merger agreement (the "Merger Agreement") to dispose of the NWPCS Group and make a cash payment of HK$244.024 million, in exchange for equity holding of 23.6% of the issued share capital of CSL NWM Group and an amount due from CSL New World Mobility Limited ("CSL NWM") of HK$113.328 million. The merger executed pursuant to the Merger Agreement was completed on 31 March 2006. As a result, the NWPCS Group, which is engaged in mobile communications business, ceased to be subsidiaries of the Group; while the CSL NWM Group comprising the NWPCS Group and Telstra CSL Limited which has changed its name to CSL NWM and its subsidiaries have become associated companies of the Group. The application of Hong Kong Financial Reporting Standard No. 5 Non-current Assets Held for Sale and Discontinued Operations has resulted in a change in the presentation of the results and cash flows of the NWPCS Group in current and prior years but has not impacted prior year's consolidated balance sheet. In the consolidated income statement, a single amount comprising the results of the NWPCS Group, of which an analysis of the results is set out in note 8 to the consolidated financial statements, and gain on disposal of the NWPCS Group constituting discontinued operations is presented whereas the net cash flows of the NWPCS Group attributable to operating, investing and financing activities are also disclosed in the consolidated cash flow statement.

ACQUISITION OF NEW WORLD CYBERBASE SOLUTIONS (BVI) LIMITED AND ITS SUBSIDIARIES (COLLECTIVELY THE "NWCS GROUP")

On 21 October 2005, the Group acquired from New World CyberBase Limited ("NWC") the entire issued share capital of the NWCS Group and NWC's interests in loans to the NWCS Group for an aggregate consideration of HK$21 million. The NWCS Group is engaged in the provision of technology related services, mainly mobile Internet services and wireless application protocol ("WAP") services, in Mainland China. The purchase consideration was satisfied by the issuance of 16,153,846 ordinary shares of the Company at HK$1.3 each.

FINANCIAL REVIEW

The Group recorded a profit attributable to shareholders of HK$911.6 million for the current year, as compared to a loss attributable to shareholders of HK$10.4 million in the previous year. The profit of this year mainly arose from the profit of HK$1,045.2 million (2005: HK$36.7 million) from discontinued operations of mobile communications services, slightly offset by the loss of HK$133.6 million (2005: loss of HK$47.1 million) from continuing operations.

Profit from discontinued operations comprised after-tax profit of HK$22.2 million of the NWPCS Group for the nine months ended 31 March 2006 (year ended 30 June 2005: HK$36.7 million) and the gain of HK$1,023.0 million on disposal of the NWPCS Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss from continuing operations was attributed to the loss of HK$87.4 million of the technology related business, finance costs of HK$62.8 million and other corporate expenses, slightly alleviated by the Group's share of results of the CSL NWM Group.

The loss of HK$87.4 million of the technology related business comprised impairment losses on intangible assets of HK$73.0 million. The impairment losses on intangible assets were provided for goodwill of HK$66.0 million arising from the reverse acquisition of the Company and its subsidiaries by the NWPCS Group in July 2004 which was re-allocated to the Group's new continuing operations in technology related services, goodwill of HK$5.5 million arising from the acquisition of the NWCS Group and a licence of HK$1.5 million. The continuing operations recorded a turnover of HK$16.5 million from the technology related business for the post-acquisition period from 21 October 2005 to 30 June 2006, as compared to HK$4.3 million from logistics services in the previous year. WAP services have become the key growth driver contributing to improvement in turnover. On 30 June 2006, there were more than 270,000 monthly subscribers, over 90% of them are multimedia messaging services ("MMS") and WAP subscribers. During the period under review, product development teams in Shanghai and Guangzhou have developed more than 100 new MMS, WAP and short messaging services.

Finance costs of continuing operations for the current year was HK$62.8 million, an increase of HK$18.1 million from HK$44.7 million for the same period last year. The increase was mainly due to interest expenses of HK$11.5 million on a new promissory note issued to a fellow subsidiary in March 2006 to replace loans and accrued interest expenses of a total of HK$886.7 million of the NWPCS Group for which the related interest expenses incurred before the replacement were deducted from the profit from discontinued operations, and interest expenses of HK$3.6 million on new loans of HK$278.0 million drawn from the fellow subsidiary in March and June 2006.

The CSL NWM Group is a major mobile telecommunications network operator in Hong Kong, providing 2G and 3G services under three brands: "One2Free", "1010" and "New World Mobility". On 30 June 2006, there were over 2.6 million subscribers to its services. The Group's share of 23.6% of the results of the CSL NWM Group for the three months from 1 April 2006 to 30 June 2006 amounted to HK$27.7 million.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCE RESOURCES

As at 30 June 2006, total borrowings of the Group amounted to HK$2,371.0 million (30 June 2005: HK$2,043.5 million). These borrowings comprised subscription note of HK$1,178.0 million, convertible bond of HK$28.3 million, promissory note of HK$886.7 million issued to New World Finance Company Limited ("NWF") and loans of HK$278.0 million from NWF. The promissory note was issued to settle debts of the NWPCS Group before disposal of the NWPCS Group to CSL NWM. Loans of HK$278.0 million were obtained to finance the acquisition of the CSL NWM Group and meet requirements on the Group's working capital. These borrowings are denominated in Hong Kong dollars, and bear interest rates of 0.75%, 3%, 0.65% above HIBOR and 0.65% above HIBOR per annum respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The maturity date of the convertible bond has been extended to 1 November 2007. The promissory note is repayable on demand after eighteen months from its date of issue of 30 March 2006. Loans of HK$244.02 million and HK$34.0 million from NWF are repayable upon demand after eighteen months from 31 March 2006 and after 28 August 2007 respectively.

Since most of the borrowings of the Group are considered as shareholders' loans, the gearing ratio of the Group calculated thereon is considered misleading and therefore, not presented.

As at 30 June 2006, the Group's cash and bank balances were of HK$27.7 million (30 June 2005: HK$116.5 million). The reduction was mainly the result of the disposal of the NWPCS Group. The Group had undrawn loan facility of HK$36.0 million as at 30 June 2006.

Total capital expenditure of the Group was HK$97.4 million for the year (2005: HK$140.8 million), which was mainly spent on the NWPCS Group's mobile communications business.

The key operations of the Group are located in Hong Kong and Mainland China. Therefore, our assets and liabilities are mainly denominated in either Hong Kong dollars or Renminbi. Since no significant exposure to foreign currency gains and losses are expected, the Group does not conduct any foreign currency hedging activities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2006, the Group had a total of 143 employees (30 June 2005: 662). The reduction in number of employees was mainly due to the disposal of the NWPCS Group. The Group's remuneration policy is to pay salaries competitive in the industry, in a way that is motivational, fair and equitable. The salaries are also dependent on individual and company's performance. Apart from salaries, the Group also provides other fringe benefits to employees, which include provident fund schemes, medical insurance and bonus on performance basis.

OUTLOOK

According to the June 2006 report by China Internet Information Centre, there are over 123 million Internet users in China, a 19.4% growth from the previous year. The Ministry of Information Industry also expects the number of mobile phone users to reach 440 million at the end of 2006. Judging from the trend of growth of both Internet and mobile phone users, there will be ample room for growth for value added services.

MANAGEMENT DISCUSSION AND ANALYSIS

In July 2006, a major mobile operator partner implemented new control policies for value added service providers. It is expected that the improvement of the mobile Internet business will be slowed down due to the implementation of these new measures. The Group will re-align the strategic imperatives of the business to minimise the impact while capturing the growth opportunities in the explosive market potential in the long-term.

The Group is determined to carry on its expansion into the mobile Internet services area, with a focus on music and city infotainment services. In the music sector, the Group will continue its effort in building a platform for local music talents to create and publicise their works. Currently a platform has been created for music lovers to enjoy pop music as well as new local music. In addition to forming partnership with international record labels, building alliances with music industry players is essential to the Group's business expansion. Therefore, the Group has established strategic alliances with over 15 local record labels. Continuous alliance formation will be an important component to our success in the coming years.

In 2006, the Group has re-launched ChinaQuest.com, a web-based city infotainment service, with a powerful search engine. The partnership with China Telecom's yellow page has not only enabled us to increase the spectrum of services, but also contributed to the enrichment of the city information content. Currently the Group has rolled out city information content services in 12 cities. In 2007, the Group will expand the city infotainment service in these cities and into other untapped markets.

In 2006, the Group has strengthened the base to its mobile Internet platform. Building on this foundation, the Group will seek to secure greater market share in 2007. One of the key strategic directions for the provision of services in 2007 is to increase user interactivities by implementing Web 2.0 applications in both the Internet and WAP services. The Group believes that success in enhancing customer satisfaction in and fondness to our services will result in continuous growth of our technology related business.

The Group's investment in the mobile communications business through its equity holding of 23.6% of the CSL NWM Group will also continue to generate profit to the Group.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The management of the Company believes that well-balanced corporate governance practices enable the Company to better manage its business risks, and thereby create long-term value for the stakeholders. As such, the Company is committed to maintaining a high standard of corporate governance.

The Company complied throughout the year ended 30 June 2006 with the code provisions set out in the Code on Corporate Governance Practices, except that the non-executive directors and independent non-executive directors of the Company are not appointed for a specific term but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

In order for the Company to comply with the amendment to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), a special resolution will be proposed at the forthcoming annual general meeting of the Company to amend the Company's articles of association. The principal amendment include (i) the Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the Listing Rules; and (ii) the voting by poll shall be demanded by the chairman of a general meeting and/or directors of the Company (the "Directors") who, individually or collectively, hold proxies in respect of the Company's ordinary share representing 5% or more of the total voting rights at a particular general meeting.

The Board of Directors (the "Board") of the Company will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding securities transactions by directors and employees who are likely to be in possession of unpublished price sensitive information of the Company on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules.

Having made specific enquiry by the Company, all directors have confirmed that they have complied with the required standard set out in such code of conduct for the year ended 30 June 2006.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board collectively oversees the management of the business and affairs of the Company and its subsidiaries (the "Group") with the overriding objective of enhancing share value. With delegating authorities from the Board, management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

The Board currently comprises five executive directors, two non-executive directors and three independent non-executive directors whose biographical details are set out on pages 18 to 21 of this annual report. The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to the Listing Rules and the Company considers the independent non-executive directors to be fully independent.

All Directors have separate and independent access to senior management and the Company Secretary at all times and they are entitled to have full access to Board papers and related materials. Directors are invited to put forward agenda items for Board meetings. Agenda and accompanying Board papers are circulated not less than 3 days before Board meetings to ensure that the Directors have sufficient time to review the documents.

CORPORATE GOVERNANCE REPORT

The attendances of the Board and Committee meetings for the year ended 30 June 2006 as follows:

	Attendance records					
	Board Meetings				Audit Committee Meetings	
Name of directors	**5/10/2005**	**8/12/2005**	**13/3/2006**	**27/7/2006**	**9/3/2006**	**5/10/2006**
Dr. Cheng Kar Shun, Henry	✓	✓	✓	✗	N/A	N/A
Mr. Chow Yu Chun, Alexander	✓	✗	✓	✓	N/A	N/A
Mr. Doo Wai Hoi, William, *JP*	✓	✓	✓	✗	N/A	N/A
Mr. Ho Hau Chong, Norman	✓	✓	✗	✗	N/A	N/A
Mr. Hui Chiu Chung, *JP*	✗	✓	✓	✓	✓	✓
Mr. Kwong Che Keung, Gordon	✓	✗	✓	✓	✓	✓
Mr. Lo Lin Shing, Simon	✓	✓	✓	✗	N/A	N/A
Mr. To Hin Tsun, Gerald	✓	✓	✓	✓	N/A	N/A
Dr. Wai Fung Man, Norman	✓	✓	✓	✓	N/A	N/A
Mr. Wei Chi Kuan, Kenny (1)	✗	✓	✗	✗	✓	N/A
Mr. Tsui Hing Chuen, William, *JP* (2)	N/A	N/A	N/A	N/A	N/A	✓
Number of directors present:	8	8	8	5	3	3

Notes:

(1) Resigned on 8 September 2006.

(2) Appointed on 8 September 2006.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the Chairman and the Chief Executive Officer of the Company are held by separate individuals to ensure a clear distinction between their responsibilities by means of segregation of duties.

The principal responsibilities of the Chairman, Dr. Cheng Kar Shun, Henry, include:

(a) providing leadership for the Board;

(b) approving and monitoring the overall strategies and policies of the Group;

(c) ensuring that the Board works effectively, discharges its responsibilities and discusses all key issues in a timely manner;

(d) ensuring all directors are properly briefed on matters to be discussed at Board meetings and providing them with opportunities to express their views at the meetings;

(e) ensuring all directors receive adequate, complete and reliable information in a timely manner; and

(f) ensuring Board meetings and general meetings are properly convened and held in accordance with the Company's articles of association and other applicable rules and regulations.

On the other hand, the Chief Executive Officer, Dr. Wai Fung Man, Norman, is responsible for:

(a) providing leadership for the management;

(b) assuming full accountability to the Board for the day-to-day operations of the Group;

(c) implementing the strategies and policies adopted by the Board;

(d) providing all such information to the Board as is necessary to enable the Board to perform its works effectively;

(e) establishing and maintaining proper internal controls and systems as well as disclosure controls and procedures; and

(f) discharging such duties and authority as may be delegated by the Board.

CORPORATE GOVERNANCE REPORT

NON-EXECUTIVE DIRECTORS

The role of the non-executive directors is to enhance independence and objectivity of the Board's deliberations and decisions.

There is no specific term for the appointment of non-executive directors of the Company. As mentioned in the section headed "CORPORATE GOVERNANCE PRACTICES" above, the non-executive directors (including independent non-executive directors) are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

REMUNERATION OF DIRECTORS AND REMUNERATION COMMITTEE

The emoluments of the directors are determined by reference to the skill, knowledge and experience of the respective directors and their involvement in the Company's affairs as well as the prevailing market conditions. Share options may also be granted to the directors as long-term incentive or rewards for their continuous contributions to the Group.

Pursuant to the CGP Code, the Company has established a Remuneration Committee with written terms of reference on 28 June 2005. The majority members are independent non-executive directors. Members of the Remuneration Committee are the Chief Executive Officer, Dr. Wai Fung Man, Norman (Chairman of the Remuneration Committee), and two independent non-executive directors, namely, Mr. Hui Chiu Chung, *JP* and Mr. Tsui Hing Chuen, William, *JP*.

The principal responsibilities of the Remuneration Committee include reviewing, considering and approving proposals as well as making recommendations to the Board on the Company's policy and structure relating to the remuneration of executive directors and members of senior management.

During the year, the Remuneration Committee Meeting has met one time together with the management of the Company. Details of the emoluments of each director and senior management of the Company are set out in note 14 to the financial statements.

In fulfilling its responsibilities, the Remuneration Committee had performed the following major duties during the year:

(i) review, approve and recommend the Company's policy and structure relating to the remuneration of executive directors and members of senior management;

CORPORATE GOVERNANCE REPORT

(ii) review and recommend the Group's share option scheme, bonus structure, provident fund and other compensation-related issues; and

(iii) assess the performance of executive directors and members of senior management and determine the remuneration of executive directors and members of senior management.

The attendances of the Remuneration Committee Meeting as follows:

Name of Committee Member	**Attendance records 5/10/2006**
Executive Director	
Dr. Wai Fung Man, Norman (Chairman of the Remuneration Committee)	✓
Independent Non-Executive Directors	
Mr. Hui Chiu Chung, *JP*	✓
Mr. Tsui Hing Chuen, William, *JP*	✓
Number of directors present:	3

NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee. The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience.

According to the Company's articles and association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not three nor a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

During the year ended 30 June 2006, the fees paid/payable to the auditors of the Group in respect of audit and non-audit services provided by the auditors of the Group were as follows:

Nature of services	**Amount**
	HK$'000
Audit services *(Note a)*	3,095
Non-audit services	
(i) Tax services	108
(ii) Other *(Note b)*	6,852

Note:

(a) Included in the amount was HK$1,347,000 and HK$748,000 charged to the continuing operations and discontinued operations respectively, and HK$1,000,000 capitalised as professional fee incurred for the acquisition of investments in associated companies.

(b) Mainly incurred and capitalised as professional fee incurred for the acquisition of investments in associated companies.

AUDIT COMMITTEE

The Audit Committee was established in May 1999 and has written terms of reference. The Audit Committee, which comprises the three independent non-executive directors of the Company, namely, Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, *JP* and Mr. Tsui Hing Chuen, William, *JP*. The Committee, which is chaired by Mr. Kwong Che Keung, Gordon, possesses appropriate accounting and financial management expertise as required under the Rule 3.10(2) of the Listing Rules, is responsible for overseeing the Group's financial reporting and internal control system and has reviewed the audited consolidated financial statements of the Group for the year ended 30 June 2006.

The Audit Committee is responsible for providing independent review of the effectiveness of the financial reporting process and internal control system of the Group. The Audit Committee will report its findings and make recommendations to the Board for consideration at board meetings.

CORPORATE GOVERNANCE REPORT

During the year, the Audit Committee met two times together with the Company's external auditors and the management of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the final results announcement for the year ended 30 June 2006. Details of the attendance records are set out in the section headed "BOARD OF DIRECTORS" above.

In fulfilling its responsibilities, the Audit Committee had performed the following major duties during the year:

(i) review of the draft interim and annual financial statements and the related draft results announcement;

(ii) review of the change in accounting standards and assessment of potential impacts on the Group's financial statements;

(iii) review of the results of external audit and discuss with the external auditors and the management on any significant findings and issues;

(iv) review of the continuing connected transactions and comment on the fairness and reasonableness of the transactions; and

(v) review of the adequacy and effectiveness of the Group's internal control system and discuss with the Board and management of the Company on the findings.

INTERNAL CONTROL

The Directors acknowledge their responsibility for preparing all information and representation contained in the consolidated financial statements of the Company for the year under review. As at 30 June 2006, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the ability of the Company to continue as a going concern basis.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "AUDITORS' REPORT" on page 49. The remuneration paid to the external auditors of the Company in respect of audit services and tax consulting services for the year ended 30 June 2006 is set out in the section headed "AUDITORS' REMUNERATION" above.

The Audit Committee discussed the overall review on the effectiveness of the internal control system and reported its findings and made recommendations to the Board. The Directors have conducted an annual review of the effectiveness of the Group's internal control system. The review includes financial, operational and compliance control and risk management function.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Dr. Cheng Kar Shun, Henry (aged 59)

Dr. Cheng is the Chairman of the Company. He was appointed as a Non-executive Director of the Company in November 2001 and redesignated as an Executive Director and Chairman of the Company in July 2004. Dr. Cheng is the Managing Director of New World Development Company Limited, the Chairman and Managing Director of New World China Land Limited, the Chairman of NWS Holdings Limited, Taifook Securities Group Limited and International Entertainment Corporation. Dr. Cheng is also the Managing Director of NWD (Hotels Investments) Limited and a Director of Cheng Yu Tung Family (Holdings) Limited, Centennial Success Limited, Chow Tai Fook Enterprises Limited and HKR International Limited. He also acts as a Non-executive Director of Lifestyle International Holdings Limited. Dr. Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation, a Committee Member of the Tenth Chinese People's Political Consultative Conference of The People's Republic of China. In 2001, he was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region. Dr. Cheng is the brother-in-law of Mr. Doo Wai Hoi, William, *JP*.

Mr. Doo Wai Hoi, William *JP* (aged 62)

Mr. Doo was appointed as an Executive Director and Vice Chairman of the Company in July 2004. Mr. Doo's corporate positions include: the Vice Chairman of New World China Land Limited; Deputy Chairman of NWS Holdings Limited and Taifook Securities Group Limited; Executive Director of Lifestyle International Holdings Limited, as well as Director of NWD (Hotels Investments) Limited and Fung Seng Diamond Company Limited. Mr. Doo is a Member of the Executive Committee of the Tenth Chinese People's Political Consultative Conference in Shanghai and the Convener of the Shanghai Committee in Hong Kong. Mr. Doo has served as a Governor of the Canadian Chamber of Commerce in Hong Kong since 1995. He was appointed as "Justice of Peace" by the Government of the Hong Kong Special Administrative Region in 2004. In June 2005, he was appointed by the Kingdom of Morocco as Honorary Consul General in Hong Kong. Mr. Doo is the brother-in-law of Dr. Cheng Kar Shun, Henry.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Chow Yu Chun, Alexander (aged 59)
Mr. Chow was appointed as an Executive Director of the Company in July 2004. Mr. Chow is also an Executive Director of New World China Land Limited. He is a fellow of The Association of Chartered Certified Accountants, the United Kingdom and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and has over 30 years of experience in property development and investment in Hong Kong.

Dr. Wai Fung Man, Norman (aged 57)
Dr. Wai was appointed as an Executive Director and Chief Executive Officer of the Company in July 2004. Dr. Wai is the Chairman of Remuneration Committee of the Company since June 2005. Dr. Wai is a veteran with 30 years of experience in telecommunications. Previously, he was a senior executive of various telecommunications companies in Europe, Canada and Hong Kong. Dr. Wai holds a doctoral degree in Electronic Engineering, specializing in digital mobile data communications. He is a Chartered Engineer and a Fellow of The Institution of Electrical Engineers, UK.

Mr. To Hin Tsun, Gerald (aged 57)
Mr. To was appointed as an Independent Non-executive Director of the Company in March 2000 and redesignated as an Executive Director in July 2004. Mr. To has been a practising solicitor in Hong Kong since 1975. Mr. To is also a qualified solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. Mr. To is currently the senior and managing partner of Messrs. T. S. Tong & Co., Solicitors and Notaries. Mr. To is also a Non-executive Director of New World CyberBase Limited, NWS Holdings Limited and Taifook Securities Group Limited, all of which are companies whose shares are listed on Main Board of The Stock Exchange of Hong Kong Limited. Mr. To is also an Executive Director of International Entertainment Corporation, a company whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

NON-EXECUTIVE DIRECTORS

Mr. Lo Lin Shing, Simon (aged 50)

Mr. Lo joined the Company in March 2000 and is currently a Non-executive Director of the Company. Mr. Lo possesses over 20 years of experience in the financial, securities and futures industries. He has been a member of the CME and IMM since 1986. Mr. Lo is the Chairman of New World CyberBase Limited and the Deputy Chairman of Taifook Securities Group Limited. He is also an Executive Director of International Entertainment Corporation and a Non-executive Director of Beijing Beida Jade Bird Universal Sci-Tech Company Limited and Macau Prime Properties Holdings Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited.

Mr. Ho Hau Chong, Norman (aged 51)

Mr. Ho was appointed as a non-executive Director in November 2000. He is an executive director of Miramar Hotel and Investment Company Limited, a non-executive director of each of Taifook Securities Group Limited and Macau Prime Properties Holdings Limited and an independent non-executive director of each of CITIC Pacific Limited, Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited, Shun Tak Holdings Limited and Starlight International Holdings Limited, all of which are companies whose shares are listed on the Stock Exchange. Mr. Ho is an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwong Che Keung, Gordon (aged 57)

Mr. Kwong has been an Independent Non-executive Director of the Company since July 2004. Mr. Kwong has also been serving as the Chairman of the Audit Committee of the Company since 18 August 2004. He is also an Independent Non-executive Director of a number of companies listed on the Stock Exchange, namely COSCO International Holdings Limited, Tianjin Development Holdings Limited, Beijing Capital International Airport Company Limited, Frasers Property (China) Limited, NWS Holdings Limited, China Oilfield Services Limited, Concepta Investments Limited, China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, Ping An Insurance (Group) Company of China, Limited, Quam Limited, Tom Online Inc., China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited and Agile Property Holdings Limited. From 1984 to 1998, Mr. Kwong was a partner of Pricewaterhouse and was a council member of the Stock Exchange of Hong Kong Limited from 1992 to 1997. He has a Bachelor of Social Science degree from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Hui Chiu Chung *JP* (aged 59)
Mr. Hui Chiu Chung, *JP*, was appointed as an Independent Non-executive Director of the Company in April 2005. He is a Member of the Audit Committee and the Remuneration Committee of the Company since 6 April 2005 and June 2005 respectively. He is currently the Group Managing Director of OSK Asia Holdings Limited. Mr. Hui has 35 years of experience in the securities and investment industry. Mr. Hui had for years been serving as Council Member and Vice-Chairman of The Stock Exchange of Hong Kong Limited. He was also a Director of the Hong Kong Securities Clearing Company Limited. He had for 8 years been serving as a member of the Advisory Committee and had for 4 years been serving as a member of Academic and Accreditation Advisory of Securities & Futures Commission of Hong Kong and is at present a member of its Committee on Real Estate Investment Trusts. He is also an appointed Member of Securities & Futures Appeals Tribunal, Member of the Listing Committee of Hong Kong Exchange & Clearing Limited and Vice-chairman of the Hong Kong Stockbrokers Association. He is also appointed as Member of the Investigation Panel A of the Hong Kong Institute of Certified Public Accountants and is a member of the Standing Committee on Company Law Reform, Mr. Hui also serves as Independent Non-executive Director of several listed companies in Hong Kong.

Mr. Tsui Hing Chuen, William *JP* (aged 55)
Mr. Tsui was appointed as an Independent Non-executive Director, a Member of the Audit Committee and a Member of the Remuneration Committee of the Company in September 2006. Mr. Tsui is the founder partner of Messrs. Lo, Wong & Tsui, Solicitors & Notaries since 1980. He has been a solicitor of the High Court of Hong Kong since 1977, a solicitor of the Supreme Court of England & Wales since 1980 as well as a barrister and solicitor of the Supreme Court of Victoria, Australia since 1983. He has also been an advocate and solicitor in Singapore since 1985 and a notary public appointed by the Archbishop of Canterbury, England since 1988. Mr. Tsui was appointed as a Justice of Peace by the Government of Hong Kong in 1997. He is as an Independent Non-executive Director of Taifook Securities Group Limited and New World CyberBase Limited, both of which are companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. Sien Yun Man (aged 44)
Mr. Sien was appointed as the Director, Finance in 2004 and was appointed as the Company Secretary of the Company in 2005. Mr. Sien oversees the Group's finance and accounting functions, risk management activities, company secretarial and legal affairs. He is also involved in the business and strategic developments of the Group. Mr. Sien has 19 years accounting and finance experience. Graduated from the City University of Hong Kong, Mr. Sien is a Fellow of the Association of Chartered Certified Accountants, UK. He is also a Certified General Accountant of the Certified General Accountants Association of Canada, an Associate of The Hong Kong Institute of Company Secretaries, The Hong Kong Institute of Certified Public Accountants, and The Institute of Chartered Secretaries and Administrators, UK.

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated accounts of the Company and its subsidiaries (together the "Group") for the year ended 30 June 2006.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiary of the Company is set out in note 20 to the financial statements.

An analysis of the Group's performance by business and geographical segments is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group are set out in the Consolidated Income Statement on page 50.

No interim dividend was declared (2005: Nil) and the directors do not recommend the payment of a final dividend for the year ended 30 June 2006 (2005: Nil).

RESERVES

Movements in the reserves of the Group and of the Company are set out in note 32 to the financial statements.

DONATIONS

Charitable and other donations made by the Group amounted to HK$30,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 19 to the financial statements.

SHARE CAPITAL AND SHARE OPTION

Details of the movements in share capital and share option of the Company are set out in note 31 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the company at 30 June 2006, calculated in accordance with statutory provisions applicable in the Cayman Islands, amounted to HK$140,924,000.

BORROWINGS

Particulars of the borrowings of the group at the balance sheet date are set out in note 2, 33 and 34 to the financial statements.

REPORT OF THE DIRECTORS

RETIREMENT BENEFITS

The retirement benefits are set out in note 15 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 128.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report are as follows:

Executive directors:

Dr. Cheng Kar Shun, Henry *(Chairman)*
Mr. Doo Wai Hoi, William, *JP* *(Vice Chairman)*
Dr. Wai Fung Man, Norman *(Chief Executive Officer)*
Mr. To Hin Tsun, Gerald
Mr. Chow Yu Chun, Alexander

Non-executive directors:

Mr. Lo Lin Shing, Simon
Mr. Ho Hau Chong, Norman

Independent non-executive directors:

Mr. Wei Chi Kuan, Kenny	(resigned on 8 September 2006)
Mr. Kwong Che Keung, Gordon	
Mr. Hui Chiu Chung, *JP*	
Mr. Tsui Hing Chuen, William, *JP*	(appointed on 8 September 2006)

REPORT OF THE DIRECTORS

In accordance with article 116 of the Company's articles of association, Mr. Lo Lin Shing, Simon, Mr. To Hin Tsun, Gerald, Mr. Ho Hau Chong, Norman and Mr. Chow Yu Chun, Alexander retires by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. In accordance with article 99 of the Company's articles of association, Mr. Tsui Hing Chuen, William, *JP* will retire from office and, being eligible, offer himself for re-election.

The directors of the Company, including the independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

The Company has received annual confirmations of independence from Mr. Wei Chi Kuan, Kenny (resigned on 8 September 2006), Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, *JP* and Mr. Tsui Hing Chuen, William, *JP* (appointed on 8 September 2006), pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers the independent non-executive directors to be independent as at the date of this report.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has any service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 40 to the financial statements, no contract of significance in relation to the Group's businesses to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 18 to 21.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

A summary of the directors' and senior management's remuneration is set out in note 14 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARE

Save as disclosed under the section headed "DIRECTORS' INTERESTS IN SECURITIES" below, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2006, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(A) Long positions – Interests in shares

As at 30 June 2006, none of the directors of the Company had any interests in the shares of the Company.

The interests of the directors in the shares of associated corporations were as follows:

	Number of shares/amount of registered capital				Approximate percentage of issued/ registered capital
	Personal interests	Family interests	Corporate interests	Total	as at 30 June 2006
New World China Land Limited *("NWCL")*					
(Ordinary shares of HK$0.10 each)					
Dr. Cheng Kar Shun, Henry	12,500,000	–	52,271,200[1]	64,771,200	1.69%
Mr. Doo Wai Hoi, William, *JP*	8,750,000	–	59,050,000[2]	67,800,000	1.77%
Mr. Chow Yu Chun, Alexander	6,250,000	–	–	6,250,000	0.16%
New World Development Company Limited *("NWD")*					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar Shun, Henry	–	300,000[3]	–	300,000	0.01%
Mr. Kwong Che Keung, Gordon	30,000	–	–	30,000	0.00%
NWS Holdings Limited *("NWSH")*					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar Shun, Henry	3,179,199	587,000[3]	8,000,000[1]	11,766,199	0.61%
Mr. Chow Yu Chun, Alexander	2,450,701	–	–	2,450,701	0.13%
Mr. Doo Wai Hoi, William, *JP*	2,006,566	–	3,130,000[2]	5,136,566	0.26%
Mr. Kwong Che Keung, Gordon	601,969	–	–	601,969	0.03%

REPORT OF THE DIRECTORS

	Number of shares/amount of registered capital				Approximate percentage of issued/ registered capital
	Personal interests	Family interests	Corporate interests	Total	as at 30 June 2006
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US$)					
Mr. Doo Wai Hoi, William, *JP*	–	–	3,000,000(4)	3,000,000	30%
Master Services Limited					
(Ordinary shares of US$0.01 each)					
Mr. Chow Yu Chun, Alexander	16,335	–	–	16,335	1.63%
Ramada Property Ltd.					
(Ordinary shares of US$1.00 each)					
Mr. Doo Wai Hoi, William, *JP*	–	–	200(2)	200	20%
Shanghai Juyi Real Estate Development Co., Ltd.					
(Registered capital in RMB)					
Mr. Doo Wai Hoi, William, *JP*	–	–	229,500,000(4)	229,500,000	30%

Notes:

(1) These shares are beneficially owned by a company wholly-owned by Dr. Cheng Kar Shun, Henry.

(2) These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai Hoi, William, *JP*.

(3) These shares are held by the spouse of Dr. Cheng Kar Shun, Henry.

(4) These represent the participating interests held by a company wholly-owned by Mr. Doo Wai Hoi, William, *JP*.

REPORT OF THE DIRECTORS

(B) Long positions – Interests in underlying shares – share options

(i) The Company

As at 30 June 2006, the following directors had personal interest in options to subscribe for shares of the Company granted under the share option schemes of the Company:

Name of director	Date of grant	Number of share options: Balance as at 1 July 2005	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted during the year	Balance as at 30 June 2006	Exercise Price *HK$*	Exercise period	Closing price immediately before the date of grant *HK$*
Dr. Cheng Kar Shun, Henry	28.1.2005	780,000	–	–	–	–	780,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Cheng Ming Fun, Paul[(1)]	28.1.2005	78,000	–	–	(78,000)	–	–	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Chow Yu Chun, Alexander	28.1.2005	482,000	–	–	–	–	482,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Doo Wai Hoi, William, *JP*	28.1.2005	300,000	–	–	–	–	300,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Ho Hau Chong, Norman	28.1.2005	78,000	–	–	–	–	78,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Hui Chiu Chung, Stephen, *JP*	8.4.2005	78,000	–	–	–	–	78,000	1.276	8.4.2005 to 31.12.2010	1.240

REPORT OF THE DIRECTORS

Name of director	Date of grant	Number of share options: Balance as at 1 July 2005	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted during the year	Balance as at 30 June 2006	Exercise Price	Exercise period	Closing price immediately before the date of grant
								HK$		HK$
Mr. Kwong Che Keung, Gordon	28.1.2005	78,000	–	–	–	–	78,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Lo Lin Shing, Simon	8.2.2002(2)	200,000	–	–	–	–	200,000	2.440(2)	9.2.2002 to 8.2.2008	N/A
	28.1.2005	78,000	–	–	–	–	78,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. To Hin Tsun, Gerald	28.1.2005	482,000	–	–	–	–	482,000	1.260	28.1.2005 to 31.12.2010	1.260
Dr. Wai Fung Man, Norman	28.1.2005	482,000	–	–	–	–	482,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Wei Chi Kuan, Kenny	28.1.2005	78,000	–	–	–	–	78,000	1.260	28.1.2005 to 31.12.2010	1.260
		3,194,000	–	–	(78,000)	–	3,116,000			

Notes:

(1) Mr. Cheng Ming Fun, Paul resigned as director of the Company on 6 April 2005. As such, the share options granted to him lapsed on 6 July 2005 pursuant to the share option scheme.

(2) These share options were granted under the share option scheme adopted by the Company on 11 September 1998.

(3) Save for note (2) above, all share options were granted under the share option scheme adopted by the Company on 28 May 2002.

(4) The cash consideration paid by each director for each grant of the share options was HK$1.00.

REPORT OF THE DIRECTORS

(ii) *NWCL*

Under the share option scheme of NWCL, a fellow subsidiary of the Company, the following directors of the Company were granted share options to subscribe for shares in NWCL:

Name of director	Date of grant	Exercise period[1]	Number of share options: Balance as at 1 July 2005	Exercised during the year	Balance as at 30 June 2006	Exercise price per share *HK$*
Dr. Cheng Kar Shun, Henry	7.2.2001	8.3.2001 to 7.3.2006	12,500,000	(12,500,000)	–	1.782
Mr. Chow Yu Chun, Alexander	8.2.2001	9.3.2001 to 8.3.2006	6,250,000	(6,250,000)	–	1.782
Mr. Doo Wai Hoi, William, *JP*	8.2.2001	9.3.2002 to 8.3.2006	7,000,000	(7,000,000)	–	1.782

Notes:

(1) The share options were exercisable within five years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.

(2) The cash consideration paid by each director for each grant of the share options is HK$10.00.

REPORT OF THE DIRECTORS

(iii) *NWSH*

Under the share option scheme of NWSH, a fellow subsidiary of the Company, the following directors of the Company were granted share options to subscribe for shares in NWSH:

			Number of share options				
Name of director	Date of grant	Exercise period	Balance as at 1 July 2005	Exercised during the year	Adjusted during the year[1]	Balance as at 30 June 2006	Exercise price per share *HK$*
Dr. Cheng Kar Shun, Henry	21.7.2003	(2)	1,009,849	(1,009,849)	–	–	3.719
Mr. Chow Yu Chun, Alexander	21.7.2003	(3)	134,647	–	(134,647)	–	3.719
			–	–	134,944	134,944	3.711
Mr. Doo Wai Hoi, William, *JP*	21.7.2003	(2)	673,233	(673,233)	–	–	3.719
Mr. Kwong Che Keung, Gordon	21.7.2003	(2)	201,969	(201,969)	–	–	3.719
Mr. To Hin Tsun, Gerald	21.7.2003	(2)	201,969	(201,969)	–	–	3.719

Notes:

(1) The number of share options and exercise price were adjusted by NWS Holdings Limited on 6 January 2006 and 13 June 2006 as a result of the issue of shares by NWS Holdings Limited to its shareholders who have elected to receive shares in lieu of cash for their entitlement of dividends as declared and paid by NWS Holdings Limited during the year.

(2) Exercisable from 21 July 2005 to 20 July 2008.

(3) This is divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008, both dates inclusive.

(4) The cash consideration paid by the director for each grant of the share options is HK$10.00.

Save as disclosed above, as at 30 June 2006, none of the directors, chief executive or any of their associates had or deemed to have any interest or short positions in the shares, registered capital, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Insofar as is known to the directors of the Company, as at 30 June 2006, the following parties (other than the directors or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being interested or deemed to be interested in 5% or more in the shares or underlying shares of the Company:

Long positions – Interests in the shares or underlying shares of the Company

		Number of shares/underlying shares			
Name	Capacity	Interests in shares	Interests in physically settled unlisted equity derivatives	Total	Approximate percentage of issued capital as at 30 June 2006
New World CyberBase Nominee Limited ("NWCBN")	Beneficial owner	2,100,000	23,185,245[1]	25,285,245	26.52%
New World Telephone Holdings Limited	Interest of a controlled corporation	2,100,000[2]	23,185,245[2]	25,285,245	26.52%
Power Palace Group Limited ("PPG")	Beneficial owner	53,236,666	1,000,000,000[3]	1,053,236,666	1,104.76%
NWD	Interest of controlled corporations	55,336,666[4]	1,023,185,245[4]	1,078,521,911	1,131.28%
Chow Tai Fook Enterprises Limited ("CTF")	Interest of a controlled corporation	55,336,666[5]	1,023,185,245[5]	1,078,521,911	1,131.28%
Million Dollar Trading Limited	Beneficial Owner	16,153,846	–	16,153,846	16.94%
New World CyberBase Limited	Interest of a controlled corporation	16,153,846[6]	–	16,153,846	16.94%

REPORT OF THE DIRECTORS

Notes:

(1) These 23,185,245 underlying shares represent the shares which may be issued upon the exercise of any of the conversion rights attaching to the outstanding convertible note in the principal amount of HK$28,286,000 issued to NWCBN on 2 November 2001.

(2) NWCBN is a wholly-owned subsidiary of NWTHL. Accordingly, NWTHL is deemed to be interested in the shares/underlying shares held by NWCBN.

(3) These 1,000,000,000 underlying shares represent the shares which may be issued upon the exercise of any of the conversion rights attaching to the convertible note in the principal amount of HK$1,200 million issued to PPG on 6 July 2004.

(4) Each of PPG and NWTHL is a wholly-owned subsidiary of NWD. Accordingly, NWD is deemed to have an interest in the shares/underlying shares held by PPG and in the shares/underlying shares deemed to be interested by NWTHL.

(5) CTF and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares/underlying shares deemed to be interested by NWD.

(6) Million Dollar Trading Limited is a wholly-owned subsidiary of New World CyberBase Limited. Accordingly, New World CyberBase Limited is deemed to be interested in the shares/underlying shares held by Million Dollar Trading Limited.

Save as disclosed herein, as at 30 June 2006, the Company has not been notified by any other person or corporation, other than the directors of the Company whose interests are set out in the "DIRECTORS' INTERESTS IN SECURITIES", as having interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

At an extraordinary general meeting of the Company held on 28 May 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 11 September 1998 (the "1998 Share Option Scheme") and the adoption of a new share option scheme (the "2002 Share Option Scheme") in compliance with the requirements of the Listing Rules. Upon termination of the 1998 Share Option Scheme, no further options could be granted under the 1998 Share Option Scheme. However, the outstanding share options granted thereunder would continue to be valid and exercisable in accordance with the provisions of the 1998 Share Option Scheme.

The following is a summary of the terms of the 2002 Share Option Scheme:

1. Purpose

   The purpose of the 2002 Share Option Scheme is to enable the Company to grant options to the participants as incentive or rewards for their contributions to the Group.

2. Participants

   The participants of the 2002 Share Option Scheme include any director, employee, consultant, agent, supplier, customer or shareholder of the Group or any entity in which the Group holds any equity interest.

3. Number of shares available for issue

   The total number of shares available for issue under the 2002 Share Option Scheme is 3,341,555 shares (adjusted as a result of the share consolidation on 7 July 2004) which represents 3.51% of the issued share capital of the Company as at the date of this report.

4. Maximum entitlement of each participant

   The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue unless separately approved by the shareholders in general meeting.

REPORT OF THE DIRECTORS

5. **Option period**

   An option may be exercised in accordance with the terms of the 2002 Share Option Scheme at any time during the period as the board of directors in its absolute discretion determine and in any event such period of time shall not be more than 10 years from the date upon which the offer of the option is made to the grantee.

6. **Vesting period**

   The directors may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.

7. **Amount payable on acceptance of option**

   Upon acceptance of the offer for an option, the grantee shall pay HK$1.00 as consideration for the grant.

8. **Subscription price**

   The subscription price for a share in respect of any option granted shall be a price determined by the board of directors in its absolute discretion but shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business day immediately preceding the date of grant; and (iii) the nominal value of a share.

9. **Life of the scheme**

   The 2002 Share Option Scheme is valid and effective for a term of 10 years commencing 28 May 2002.

Movements of the share options granted under the 1998 Share Option Scheme and the 2002 Share Option Scheme during the year were as follows:

(a) **Share options to directors**

Options had been granted to directors of the Company during the year under the 2002 Share Option Scheme. Details of which are disclosed under the section headed "DIRECTORS' INTERESTS IN SECURITIES" above.

REPORT OF THE DIRECTORS

The directors consider that it is not appropriate to state the value of the options granted to the directors of the Company during the year since there are some limitations in generally accepted methodologies (including the Black-Scholes option pricing model and the binomial model) in the valuation of the options. Furthermore, since a number of variables which are crucial to the calculation of the value of the options cannot be reasonably determined, the directors believe that any valuation of the options granted during the year based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

(b) Share options to employees

No share options were granted to employees of the Company under the 2002 Share Option Scheme.

There are no outstanding share options granted under the 1998 Share Option Scheme during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 30 June 2006 attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	23%
– five largest suppliers combined	50%

Sales

The aggregate amount of sales attributable to the Group's five largest customers represented less than 30% of the Group's total sales in 2006.

Save as disclosed in note 40 to the financial statements, none of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

Constitute continuing connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules, are as follows:

(i) In the joint announcement of the Company and NWD dated 2 June 2004 ("Joint Announcement"), the Company announced that members of the Post-Completion NWD Group (as defined in the Joint Announcement) had entered into certain agreements with members of the NWPCS Group (as defined in the Joint Announcement). As such, the transactions contemplated under the following agreements constituted continuing connected transactions for the Company pursuant to the Listing Rules. On 6 September 2005, the Company further announced that additional cell sites were licensed from Post-Completion NWD Group. The details of the transactions contemplated under the various agreements, of which including the updated information, are set out as follows:

A. **Leasing and Licensing of Properties and Sharing of Common Facilities**

The Post-Completion NWD Group has agreed to lease various properties to the NWPCS Group for use as its offices, retail shops, warehouse and switching centres.

On 1 July 2002 and 15 December 2003, the Post-Completion NWD Group has agreed to let approximately 136,472 sq. ft. of the premises situated at Chevalier Commercial Centre, Kowloon Bay, Kowloon, Hong Kong as the head office of the NWPCS Group. In relation to the premises leased by the Post-Completion NWD Group to NWPCS Group, the rental payment was determined with reference to market rates at the time when the relevant agreement was signed. The term for the lease is for the period of three years up to and including 31 July 2006.

Out of the aforesaid area of 136,472 sq. ft. of the premises situated at Chevalier Commercial Centre, Kowloon Bay, Kowloon, Hong Kong, the NWPCS Group has agreed to license 59,236 sq. ft. of the aforesaid premises to New World Telecommunications Limited ("NWT") for use as the office of the NWT and to share some common facilities and related services with NWT. The license payment was determined with reference to market rates at the time when the relevant agreement was signed. The term for the lease is for the period of three years up to and including 31 July 2006.

REPORT OF THE DIRECTORS

The NWPCS Group also agreed on 10 December 2001 and 10 May 2004 to lease premises from the Post-Completion NWD Group as warehouse and switching center for the term of three years up to 31 December 2005. The rental payments were determined with reference to market rates at the time when the relevant agreements were signed. For the agreement on 10 May 2004, the monthly rent is HK$45,670.50 for the period from 1 January 2003 to 31 December 2005 and renewed after 31 December 2005 at monthly rent is HK$83,650 for the period from 1 January 2006 to 30 June 2006.

On 30 June 2000, the Post-Completion NWD Group has agreed to license certain premises at World Peace Centre, Kwai Chung, New Territories, Hong Kong to NWPCS Group as a switching centre for operations of its infrastructure facilities under a co-location agreement. The license fee payable by NWPCS Group was determined with reference to market rates at the time when the co-location agreement was signed.

A.1 – Leasing and licensing of properties – payments by NWPCS Group

Description	Date of Agreement	Expiry Date	Floor area (sq.ft.)	Lessor	Relationship of the lessor with the NWD Group	Actual amounts paid for the financial year ended 30 June 2006 *(HK$)*
Tenancy of 8/F., 16/F., 17/F., 18/F., and Rooms 1112-1116 of 11/F., of Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon	1 July 2002/15 December 2003	31 July 2006	136,472	Newly Development Limited	a wholly-owned subsidiary of NWD	8,565,145
Tenancy of Workshops, 1-12, 10/F., World Peace Centre, 55 Wo Tong Tsui Street, Kwai Chung, New Territories	10 December 2001/ 10 May 2004	31 December 2005	13,492	Global Winner Limited	a jointly controlled entity of NWD	524,973
Co-location agreement for licensing of 6/F., World Peace Centre, 55 Wo Tong Tsui Street, Kwai Chung, New Territories	30 June 2000	30 June 2006	2,504	NWT	a wholly-owned subsidiary of NWD	2,477,796
					Total	11,567,914

REPORT OF THE DIRECTORS

A.2 – Licensing of properties – receipts by the NWPCS Group

Description	Date of Agreement	Expiry Date	Floor area (sq.ft.)	Lincensee	Relationship of the licensee with the NWD Group	Actual amounts received for the financial year ended 30 June 2006 *(HK$)*
Licensing of part of 8/F., 16/F., 17/F., 18/F., and Rooms 1112-1116 of 11/F., of Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon	19 May 2004	31 July 2006	59,236	NWT	a wholly-owned subsidiary of NWD	3,795,318
Management support agreement for sharing of office supplies and administration of common areas and supplemental agreements for 8/F., 16/F., 17/F., 18/F., and Rooms 1112-1116 of 11/F., of Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon	30 June 2000/ 22 March 2002/ 29 July 2002	31 July 2006	N.A.	NWT	a wholly-owned subsidiary of NWD	234,900
					Total	4,030,218

REPORT OF THE DIRECTORS

B. **Licensing of cell sites**

In order to facilitate the NWPCS Group to provide geographic coverage of mobile services throughout Hong Kong, the Post-Completion NWD Group has licensed to the NWPCS Group the following premises as cell sites for installation and operations of antenna and repeater equipment which form an integral and mandatory part of the mobile network architect of the NWPCS Group. The licence payments were determined with reference to market rates at the time when the relevant agreements were signed and based on, among other factors, the locations of cell sites, total areas occupied, facilities provided and availability of alternative sites.

Description	Date of Agreement	Expiry Date	Licensor	Relationship of the Licensor with the NWD Group
Licensing of cell sites at main roof, New World Tower Two, 18 Queen's Road Central, Hong Kong	7 January 2005	20 March 2007	New World Tower Company Limited	a wholly-owned subsidiary of NWD
Licensing of cell sites at shop No. RBS03 of Pier 6, Central, Hong Kong and licensing of cell sites at shop No. RBS04 of North Point (West) Ferry Pier, Hong Kong	15 March 2004/ 29 March 2006	28 February 2006/ 29 February 2008	New World First Ferry Services Limited	a jointly controlled entity of NWD
Licensing of cell sites at roof and store room at 7/F., New World First Bus Depot, 8 Chong Fu Road, Chaiwan, Hong Kong	20 May 2004/ 1 December 2005	30 November 2005/ 30 November 2007	New World First Bus Services Limited	a jointly controlled entity of NWD
Licensing of cell sites at Grand Hyatt, 1 Harbour Road, Wanchai, Hong Kong	28 June 2004	30 June 2007	Grand Hyatt Hong Kong Limited	a 64% owned subsidiary of NWD
Licensing of cell sites at G/F., – 7/F., carpark at New World Tower, 18 Queen's Road, Central, Hong Kong	17 December 2004	31 December 2006	New World Tower Company Limited	a wholly-owned subsidiary of NWD
Licensing of cell sites at Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong	22 September 2003/ 21 October 2005	31 August 2005/ 31 August 2007	Renaissance Harbour View Hotel Limited	a 64% owned subsidiary of NWD

REPORT OF THE DIRECTORS

Description	Date of Agreement	Expiry Date	Licensor	Relationship of the Licensor with the NWD Group
Licensing of cell sites at Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong	9 February 2004/ 18 February 2006	28 February 2006/ 28 February 2008	Kiu Lok Service Management Company Limited	a 54% owned subsidiary of NWD
Licensing of cell sites at New World First Ferry Office, Room G12-13, G/F., China Hong Kong Ferry Terminal, Tsimshatsui, Kowloon	9 July 2003	30 June 2006	New World First Ferry Services (Macau) Limited	a jointly controlled entity of NWD
Licensing of cell sites at Flat roof and upper roof of East Wing Office Building, New World Centre, 20 Salisbury Road, Tsimshatsui, Kowloon	2 November 2004	31 August 2006	Hong Kong Island Development Limited	a wholly-owned subsidiary of NWD
Licensing of cell sites at Level 3A, multi-storey car park, New World Centre, 18-24 Salisbury Road, Tsimshatsui, Kowloon (negotiation of license renewal under way)	18 March 2004	28 February 2006	Hong Kong Island Development Limited	a wholly-owned subsidiary of NWD
Licensing of cell sites at The Amazon, New World Centre, Palace Mall, 12 Salisbury Road, Tsimshatsui, Kowloon (negotiation of license renewal under way)	23 June 2004	31 July 2006	Hong Kong Island Development Limited	a wholly-owned subsidiary of NWD
Licensing of cell sites at Basement 1 and 2, Level 0, 2-4, 7-12, 14-18, New World Renaissance Hotel	31 December 2003/ 26 May 2005/ 26 April 2006	31 December 2005/ 31 December 2005/ 31 December 2006	New World Hotel Company Limited	a 64% owned subsidiary of NWD

REPORT OF THE DIRECTORS

Description	Date of Agreement	Expiry Date	Licensor	Relationship of the Licensor with the NWD Group
Licensing of cell sites at roof, Riviera Plaza, 28 Wing Shun Street, Tsuen Wan, New Territories	11 December 2004	31 January 2007	Tsuen Wan Properties Limited	a wholly-owned subsidiary of NWD
Licensing of cell sites at New World Centre, 20 Salisbury Road, Kowloon, Hong Kong (New World Centre East)	31 May 2004	28 February 2006	Hong Kong Island Development Ltd.	a wholly-owned subsidiary of NWD
Licensing of cell sites at New World Centre, 18-24 Salisbury Road, Kowloon, Hong Kong (West & East Wing)	6 May 2004	31 March 2006	Hong Kong Island Development Ltd.	a wholly-owned subsidiary of NWD
Licensing of cell sites at 2/F, 1 Chun Ming Road, Lantau Island, Chek Lap Kook Lot 1	1 July 2003	30 June 2005 and automatic renewal	NWT	a wholly-owned subsidiary of NWD
Licensing of cell sites at Shop No. RBS02, Tuen Mun Pier, Hong Kong	7 November 2005	29 June 2007 and terminate on 31 July 2006	New World First Ferry Services Ltd.	a jointly controlled entity held by a non-wholly owned subsidiary of NWD
Licensing of cell sites at ATL Logistics Centre, Berth 3, Kwai Chung Container Terminal, Kwai Chung, New Territories	19 October 2004	31 August 2007	ATL Logistics Centre Hong Kong Ltd.	a jointly controlled entity held by a non-wholly owned subsidiary of NWD
Licensing of cell sites at Hong Kong Dragon Cruise Pier, Expo Drive East, Wanchai, Hong Kong	10 August 2005	30 June 2007 but terminated on 31 July 2006	New World First Travel Services Ltd.	a jointly controlled entity held by a non-wholly owned subsidiary of NWD
Licensing of cell sites at 12 Salisbury Road, Kowloon, Hong Kong (Name Change to Palace Mall)	23 June 2004	31 July 2006	Hong Kong Island Development Ltd.	a wholly-owned subsidiary of NWD
Licensing of cell sites at Roof Area of Control Room, Avenue of Star, Kowloon, Hong Kong	29 July 2004	31 July 2006	Hong Kong Island Development Ltd.	a wholly-owned subsidiary of NWD

REPORT OF THE DIRECTORS

C. **Interconnection, transmission, traffic routing and related services**

The fixed telecommunications networks of NWT and the mobile networks of the NWPCS Group are interconnected under an interconnection agreement (as supplemented) for delivery of telephone calls. Pursuant to the interconnection agreement, the NWPCS Group has agreed to pay for the inter-switch transmission (ISW) links, point-of-interconnection (POI) links, public non-exclusive telephone services (PNETS) charges and mobile number porting (MNP) and dipping charges. The charges of the said services were determined either by Office of the Telecommunications Authority of Hong Kong or by reference to the applicable rates of PCCW-HKT Limited.

The NWPCS Group has leased some high-speed transmission links from NWT for connection amongst its cell sites, retail shops, switching centers, offices and some telephone lines for office use of the NWPCS Group. The NWPCS Group has also agreed to use the wholesale international direct dial traffic routing service of NWT.

Description	Date of Agreement	Expiry Date	Party	Relationship of the Party with the NWD Group
Price review for telephone line service and supplemental agreement	8 February 2002/ 12 December 2003/ 31 May 2004	30 June 2006	NWT	a wholly-owned subsidiary of NWD
Wholesale international direct dial 009 agreement and supplemental agreement	3 July 2000/ 31 May 2004	30 June 2006	NWT	a wholly-owned subsidiary of NWD
Interconnection agreement regarding provision of ISW links, POI links, PNETS charges and MNP, as supplemented by:	30 June 2000	30 June 2006	NWT	a wholly-owned subsidiary of NWD

a. Letter agreement dated 1 May 1999 regarding POI E1, MNP and dipping services
b. Summary of terms and conditions for interconnection and POI dated 10 January 2002
c. Summary of terms and conditions for provision of inter-switch E1 links for data transmission dated 1 May 2002
d. Letter agreement dated 21 February 2003
e. Annex dated 31 March 2003
f. Supplemental agreement dated 31 March 2003 to summary of terms and conditions for provision of inter-switch E1 links for data transmission
g. Letter agreement dated 2 February 2004
h. Letter agreement dated 7 May 2004 regarding the offer of renewal for POI ports
i. Supplemental agreement dated 31 May 2004

REPORT OF THE DIRECTORS

Description	Date of Agreement	Expiry Date	Party	Relationship of the Party with the NWD Group
Letter agreement for ETS transit as amended by a fax message and supplemental agreement	3 July 2000/6 February 2004/31 May 2004	30 June 2006	NWT	a wholly-owned subsidiary of NWD
Letter agreement for E1 service for NWPCS in MTR stations	9 November 1988	December 2005	NWT	a wholly-owned subsidiary of NWD
Offer for contract renewal for multiple protocols labeling switch service and supplemental agreement	27 October 2002/ 20 November 2003/ 31 May 2004	30 June 2006	NWT	a wholly-owned subsidiary of NWD
Purchase order for leasing of OC3 fibre link and supplemental agreement	5 February 2002/31 May 2004	30 June 2006	NWT	a wholly-owned subsidiary of NWD
Order for T3 link data services and supplemental agreement	7 April 2003/ 31 May 2004	30 June 2006	NWT	a wholly-owned subsidiary of NWD
Data link service and supplemental agreement	Between August 1997 and December 2002/ 31 May 2004	30 June 2006	NWT	a wholly-owned subsidiary of NWD

In additional, the NWPCS Group and NWT have entered into the following agreements since 1 July 2003:

Description	Date of Agreement	Expiry Date	Party	Relationship of the Party with the NWD Group
Letter agreement regarding international internet protocols transit service	5 August 2003	30 June 2006	NWT	a wholly-owned subsidiary of NWD
Letter agreement regarding international internet protocols transit service	5 August 2003	30 June 2006	NWT	a wholly-owned subsidiary of NWD
MultiCom IPLC service application form	16 June 2003	30 June 2006	NWT	a wholly-owned subsidiary of NWD
Letter agreement regarding E1 data services and supplemental agreement	11 November 2003/ 31 May 2004	30 June 2006	NWT	a wholly-owned subsidiary of NWD
Offer of renewal for POI ports (supplemental to the interconnect agreement dated 30 June 2000)	7 May 2004	30 June 2006	NWT	a wholly-owned subsidiary of NWD

REPORT OF THE DIRECTORS

D. **Dealership, value transfer arrangement and provision of miscellaneous services**

The NWPCS Group has appointed NWT to act as its non-exclusive dealer to sell prepaid SIM cards and recharge coupons for the prepaid SIM cards to any mobile services users. In addition, commercial agreement has been entered between the NWPCS Group and NWT, which allows the prepaid international calling card customers of NWT to transfer the credit balance in the customers' prepaid international calling card of NWT to the mobile SIM card of the NWPCS Group. On the other hand, NWT also appointed the NWPCS Group as its non-exclusive dealer for prepaid and post-paid international calling cards, and for enlisting international direct dial 009 customers. No transactions took place during the year pursuant to these agreements.

The NWPCS Group has also entered into other agreements with the Post-Completion NWD Group, under which NWD Group will continue to provide miscellaneous services to the NWPCS Group.

D.1 – **Dealership, value transfer arrangement and provision of miscellaneous services – payments by NWPCS Group**

Description	Date of Agreement	Expiry Date	Party	Relationship of the Party with the NWD Group	Actual amounts paid for the financial year ended 30 June 2006 *(HK$)*
Agreement for appointment of NWT as non-exclusive dealer for prepaid SIM cards and recharge coupons and supplemental agreement	17 May 2002/ 31 May 2004	30 June 2006	NWT	a wholly-owned subsidiary of NWD	–
Value transfer agreement and supplemental agreement	30 April 2004/ 31 May 2004	30 June 2006	NWT	a wholly-owned subsidiary of NWD	–
Agreement for cleaning for the office of NWPCS	18 December 2003	31 December 2005	Pollution and Protection Services Limited	a 54% owned subsidiary of NWD	201,414
				Total	201,414

REPORT OF THE DIRECTORS

D.2 – Dealership – receipts by the NWPCS Group

Description	Date of Agreement	Expiry Date	Party	Relationship of the Party with the NWD Group	Actual amounts paid for the financial year ended 30 June 2006 *(HK$)*
Dealer distribution agreement for appointing NWPCS as the non-exclusive distributor for international calling card and for enlisting IDD009 customers and supplemental agreement	30 June 2000/ 31 May 2004	30 June 2006	NWT	a wholly-owned subsidiary of NWD	–

(ii) On 1 November 2004, an Agreement for Provision of Transmission Links was entered into between New World PCS Limited ("NWPCS"), a wholly-owned subsidiary of the Company (on or before 31 March 2006), and NWT, a wholly-owned subsidiary of NWD, in relation to the provision of E1 transmission links by NWT to NWPCS for the purpose of inter-connecting the switches in the NWPCS network between any two exchanges.

(iii) On 19 May 2005, a Master Agreement for Telecommunications and Interconnection Services was entered into between NWPCS and NWT for the provision by NWT to NWPCS of interconnection, transmission, traffic routing and other related services such as wholesale international direct dial services, local and international transmission links services at various transmission speed, and porting and dipping service for mobile number portability from a term of three years from 1 June 2005 to 31 May 2008.

(iv) On 21 June 2005, a Call Centre Management Services Agreement was entered into between NWPCS and Shenzhen Xiang Long Communication Co., Ltd. ("XLC") pursuant to which XLC would provide call centre facilities and management services to NWPCS for a term of 25 months from 1 June 2005 to 30 June 2007.

XLC is a wholly-owned subsidiary of New World TMT Limited ("NWTMT") which in turn is a non-wholly owned subsidiary of NWD. As such, the entering into of the Call Centre Management Services Agreement constituted a continuing connected transaction for the Company.

REPORT OF THE DIRECTORS

The values of the transactions for the year ended 30 June 2006 were as follows:

Nature of transactions	**Amount paid/to be paid by the NWPCS Group**
	HK$'000
Leasing and licensing of properties	11,568
Licensing of cell sites	2,901
Interconnection, transmission, traffic routing and other related services	25,552
Call centre services	1,574
Provision of miscellaneous services	201

Nature of transactions	**Amount received/to be received by the NWPCS Group**
	HK$'000
Licensing of properties and sharing of common facilities	235

The directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have confirmed that the above-mentioned continuing connected transactions were entered into: (i) in the ordinary and usual course of the Group's business; (ii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iii) either on normal commercial terms or on terms no less favourable to the Group than those available to or from independent third parties.

Furthermore, the auditors of the Company have confirmed to the board of directors in writing that the abovementioned continuing connected transactions:

(i) have received the approval of the Company's board of directors;

(ii) have been entered into in accordance with the relevant agreements governing the transactions;

(iii) have not exceeded the cap disclosed in the previous announcements dated 2 June 2004, 1 November 2004, 19 May 2005 and 21 June 2005 and 6 September 2005; and

(iv) are in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 30 June 2006, to the best knowledge of the Directors, none of the Directors and their respective associates were considered to have any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

AUDIT COMMITTEE

The Audit Committee was established in May 1999 and has written terms of reference. The audit committee, which comprises the three independent non-executive directors of the Company namely Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, *JP* and Mr. Tsui Hing Chuen, William, *JP*. The Committee which is chaired by Mr. Kwong Che Keung, Gordon is responsible for overseeing the Group's financial reporting and internal control system and has reviewed the audited consolidated accounts of the Group for the year ended 30 June 2006.

REMUNERATION COMMITTEE

The Remuneration Committee was established in June 2005 and has written terms of reference. The majority members are independent. The Committee is chaired by Dr. Wai Fung Man, Norman and the other members are Mr. Hui Chi Chung, *JP* and Mr. Tsui Hing Chuen, William, *JP*.

The Remuneration Committee is responsible for formulating and recommending remuneration policy to the board and determining the remuneration of executive directors and members of senior management, as well as reviewing and making recommendations on the Group's share option scheme, bonus structure, provident fund and other compensation related issues. The Committee has reviewed the remuneration of executive directors and members of senior management.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 10 to 17.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained a sufficient public float throughout the year.

AUDITORS

Ernst & Young were auditors of the Company for the four financial years ended 31 December 2002. During the year ended 31 December 2003, Ernst & Young resigned and PricewaterhouseCoopers had been appointed as auditors of the Company.

The accounts for the financial year ended 30 June 2006 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

BOARD MEMBERS

As at the date of this Report, the Board of the Company comprises (i) five executive directors namely Dr. Cheng Kar Shun, Henry (Chairman), Mr. Doo Wai Hoi, William, *JP* (Vice Chairman), Dr. Wai Fung Man, Norman (Chief Executive Officer), Mr. To Hin Tsun, Gerald and Mr. Chow Yu Chun, Alexander; (ii) two non-executive directors namely Mr. Lo Lin Shing, Simon and Mr. Ho Hau Chong, Norman; and (iii) three independent non-executive directors namely Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, *JP* and Mr. Tsui Hing Chuen, William, *JP*.

By order of the Board

Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 10 October 2006

AUDITORS' REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF NEW WORLD MOBILE HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the financial statements on pages 50 to 127 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2006 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 October 2006

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2006

	Note	**30 June 2006 HK$'000**	30 June 2005 HK$'000 As restated
Continuing operations:			
Turnover	6	**16,515**	4,261
Cost of sales	11	**(4,842)**	(1,330)
Gross profit		**11,673**	2,931
Other revenue	9	**823**	108
Other net (charge)/income	10	**(65,436)**	942
Selling expenses	11	**(9,775)**	(290)
Administrative expenses	11	**(35,797)**	(5,993)
Operating loss before finance costs		**(98,512)**	(2,302)
Finance costs	12	**(62,786)**	(44,739)
Operating loss		**(161,298)**	(47,041)
Share of results of associated companies	21	**27,731**	–
Loss before taxation		**(133,567)**	(47,041)
Taxation	16	**–**	(51)
Loss from continuing operations		**(133,567)**	(47,092)
Discontinued operations:			
Profit from discontinued operations	8	**1,045,209**	36,693
Profit/(loss) attributable to shareholders		**911,642**	(10,399)
Basic earnings/(loss) per share			
– Continuing operations	17	**(HK$1.48)**	(HK$0.60)
– Discontinued operations	17	**HK$11.56**	HK$0.47
		HK$10.08	(HK$0.13)
Diluted earnings/(loss) per share	17	**N/A**	N/A

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	Note	Group **As at 30 June 2006 HK$'000**	Group As at 30 June 2005 HK$'000 As restated
ASSETS			
Non-current assets			
Property, plant and equipment	*19*	**6,183**	1,068,301
Investments in associated companies	*21*	**2,142,737**	–
Intangible assets	*22*	**–**	65,964
Deferred taxation	*23*	**–**	167,472
Rental and other deposits		**–**	8,882
		2,148,920	1,310,619
Current assets			
Inventories	*24*	**–**	38,024
Trade receivables	*25*	**4,266**	94,015
Prepayments, deposits and other receivables		**1,368**	42,112
Rental and other deposits		**–**	39,421
Amounts due from fellow subsidiaries		**–**	29
Amount due from an associated company	*27*	**113,328**	–
Amount due from a related company	*28*	**813**	813
Cash and bank balances	*29*	**27,691**	116,534
		147,466	330,948
Total assets		**2,296,386**	1,641,567
EQUITY			
Capital and reserves attributable to the Group's equity holders			
Share capital	*31*	**16,154**	300
Other reserves	*32*	**(82,905)**	(88,051)
Accumulated losses		**(30,538)**	(942,180)
Deficit on shareholders' funds		**(97,289)**	(1,029,931)

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	Note	Group As at 30 June 2006 *HK$'000*	Group As at 30 June 2005 *HK$'000* As restated
LIABILITIES			
Non-current liabilities			
Loans from a fellow subsidiary	*33*	**278,024**	877,500
Promissory note issued to a fellow subsidiary	*33*	**886,749**	–
Convertible bond	*34*	**28,261**	28,250
Subscription note	*2*	**1,178,008**	1,131,199
Asset retirement obligations		**–**	6,529
		2,371,042	2,043,478
Current liabilities			
Trade payables	*30*	**809**	108,086
Accrued charges, other payables, deposits received and deferred income		**15,779**	405,456
Amounts due to fellow subsidiaries	*26*	**420**	11,132
Amount due to an associated company	*27*	**5,625**	–
Amount due to a related company		**–**	846
Bank loan		**–**	102,500
		22,633	628,020
Total liabilities		**2,393,675**	2,671,498
Total equity and liabilities		**2,296,386**	1,641,567
Net current assets/(liabilities)		**124,833**	(297,072)
Total assets less current liabilities		**2,273,753**	1,013,547

Dr. Cheng Kar Shun, Henry
Director

Dr. Wai Fung Man, Norman
Director

FINANCIAL STATEMENTS

BALANCE SHEET

As at 30 June 2006

	Note	Company As at 30 June 2006 HK$'000	As at 30 June 2005 HK$'000 As restated
ASSETS			
Non-current assets			
Property, plant and equipment	19	**–**	90
Investments in subsidiaries	20	**2,497,576**	1,521,385
		2,497,576	1,521,475
Current assets			
Amount due from an associated company	27	**113,328**	–
Amount due from a related company	28	**225**	225
Prepayments, deposits and other receivables		**87**	74
Cash and bank balances		**10,564**	188
		124,204	487
Total assets		**2,621,780**	1,521,962
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	31	**95,336**	79,182
Other reserves	32	**124,143**	119,297
Retained profits		**16,781**	162,354
Shareholders' funds		**236,260**	360,833
LIABILITIES			
Non-current liabilities			
Loans from a fellow subsidiary	33	**278,024**	–
Promissory note issued to a fellow subsidiary	33	**886,749**	–
Convertible bond	34	**28,261**	28,250
Subscription note	2	**1,178,008**	1,131,199
		2,371,042	1,159,449

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BALANCE SHEET

As at 30 June 2006

		Company	
	Note	**As at 30 June 2006 HK$'000**	As at 30 June 2005 HK$'000 As restated
Current liabilities			
Amount due to an associated company	27	**5,625**	–
Amounts due to fellow subsidiaries	26	**420**	563
Accrued charges and other payables		**8,433**	1,117
		14,478	1,680
Total liabilities		**2,385,520**	1,161,129
Total equity and liabilities		**2,621,780**	1,521,962
Net current assets/(liabilities)		**109,726**	(1,193)
Total assets less current liabilities		**2,607,302**	1,520,282

Dr. Cheng Kar Shun, Henry
Director

Dr. Wai Fung Man, Norman
Director

FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2006

	Note	**30 June 2006 HK$'000**	30 June 2005 HK$'000 As restated
Operating activities			
Cash used in operations	35(a)	**(26,304)**	(4,822)
Interest paid		**(16,108)**	(1,473)
Hong Kong profits tax paid		**–**	(51)
Net cash used in continuing operations		**(42,412)**	(6,346)
Net cash generated from discontinued operations		**131,421**	388,521
Net cash generated from operating activities		**89,009**	382,175
Investing activities			
Purchase of property, plant and equipment		**(86)**	–
Acquisition of subsidiaries	36(a)	**9,896**	45,630
Disposal of subsidiaries	37	**384**	–
Acquisition of associated companies	36(b)	**(276,384)**	–
Dividend received from an associated company	21	**7,523**	–
Sales of other investments		**–**	900
Sales of investment securities		**–**	3,609
Interest received		**823**	108
Net cash (used in)/generated from continuing operations		**(257,844)**	50,247
Net cash used in discontinued operations		**(96,302)**	(140,259)
Net cash used in investing activities		**(354,146)**	(90,012)
Financing activities			
Increase in loans from a fellow subsidiary		**278,024**	–
Net cash used in repayment of bank loan and amount due to the ultimate holding company of discontinued operations		**(102,500)**	(270,073)
Net cash generated from/(used in) financing activities		**175,524**	(270,073)
Net (decrease)/increase in cash and cash equivalents		**(89,613)**	22,090
Cash and cash equivalents as at the beginning of the year		**116,534**	94,444
Cash and cash equivalents as at the end of the year		**26,921**	116,534
Analysis of cash and cash equivalents:			
Cash and bank balances		**27,691**	116,534
Less: Cash and bank balances with original maturities of more than three months	29	**(770)**	–
		26,921	116,534

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2006

	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 30 June 2004, as previously stated	1	999	(876,286)	(875,286)
Accretion and depreciation expenses arising from asset retirement obligations *(Note (a))*	–	–	(3,541)	(3,541)
Effect of change in accounting policy of handset subsidies *(Note 3(a)(ii))*	–	–	(51,954)	(51,954)
At 30 June 2004, as restated	1	999	(931,781)	(930,781)
Issue of shares *(Notes 31 and 32(a))*	299	913,793	–	914,092
Arising from Reverse Acquisition *(Note 2)*	–	(1,115,538)	–	(1,115,538)
Renewal of convertible bond *(Note 3(a)(i))*	–	40	–	40
Issue of subscription note *(Note 3(a)(i))*	–	112,655	–	112,655
Profit for the year, as previously stated	–	–	93,111	93,111
Interest expenses on convertible bond and subscription note *(Note 3(a)(i))*	–	–	(35,013)	(35,013)
Accretion and depreciation expenses arising from asset retirement obligations *(Note 3(a)(i))*	–	–	(1,044)	(1,044)
Effect of change of accounting policy of handset subsidies *(Note 3(a)(ii))*	–	–	(67,453)	(67,453)
Loss for the year, as restated	–	–	(10,399)	(10,399)
At 30 June 2005, as restated	300	(88,051)	(942,180)	(1,029,931)
At 30 June 2005, as previously stated	300	(200,746)	(783,175)	(983,621)
Accretion and depreciation expenses arising from asset retirement obligations *(Note 3(a)(i))*	–	–	(4,585)	(4,585)
Interest expenses on convertible bond and subscription note *(Note 3(a)(i))*	–	–	(35,013)	(35,013)
Effect of change in accounting policy of handset subsidies *(Note 3(a)(ii))*	–	–	(119,407)	(119,407)
Renewal of convertible bond *(Note 3(a)(i))*	–	40	–	40
Issue of subscription note *(Note 3(a)(i))*	–	112,655	–	112,655
At 30 June 2005, as restated	300	(88,051)	(942,180)	(1,029,931)
Issue of shares *(Note 31(e) and 32(a))*	16,154	4,846	–	21,000
Disposal of subsidiaries *(Note 31(a))*	(300)	300	–	–
Profit for the year	–	–	911,642	911,642
At 30 June 2006	16,154	(82,905)	(30,538)	(97,289)

Note (a):

Accretion expenses represented changes in the liability of an asset retirement obligation due to the passage of time by applying an interest method of allocation of the amount of the liability at the beginning of the year.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

New World Mobile Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") is principally engaged in technology related business including mobile Internet services in Mainland China. The Group holds 23.6% interest in CSL New World Mobility Limited ("CSL NWM") and its subsidiaries (hereinafter collectively referred to as the "CSL NWM Group") which offer mobile communications services in Hong Kong.

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Company has its listing on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets and financial liabilities at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

On 29 March 2004, the Company, formerly known as Asia Logistics Technologies Limited ("ALT"), entered into a conditional subscription agreement (the "Subscription Agreement") with Power Palace Group Limited ("PPG"), a wholly-owned subsidiary of New World Development Company Limited ("NWD"), pursuant to which PPG agreed to subscribe for:

(a) 4,166,666,667 shares of newly issued ordinary share of the Company (the "Subscription Shares", equivalent to 41,666,666 consolidated shares after the share consolidation of the Company on 7 July 2004) at an issue price of HK$0.012 per Subscription Share, representing the closing price of the last trading day of the ALT shares prior to suspension; and

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION *(Continued)*

(b) a convertible note (the "Subscription Note") of a principal amount of HK$1,200,000,000, unless previously converted, will be repaid by the Company upon its maturity on the business day immediate preceding the third anniversary of the date of its issue. It bears a coupon from its date of issue at the rate of 0.75% per annum and, at the discretion of the holder, can be converted, in whole or any part thereof, into ordinary shares of the Company at an initial conversion price of HK$0.012 per share, subject to adjustment. The conversion price was subsequently adjusted to HK$1.20 per share after the share consolidation of the Company on 7 July 2004.

Both the Subscription Shares and Subscription Note were issued on 6 July 2004.

The fair values of the liability component and the equity component of the Subscription Note were determined at issuance of the Subscription Note.

The fair value of the liability component, included in non-current liabilities, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of equity component, is included in shareholders' equity in other reserves net of deferred income taxes, if any.

The fair value of the liability component of the Subscription Note as at 30 June 2006 approximated its carrying value.

Interest expenses on the Subscription Note are calculated using the effective interest method by applying the effective interest rate of 4.1% per annum (2005: 4.1%) to the liability component.

On 29 March 2004, the Company entered into a conditional sale and purchase agreement (the "S&P Agreement") with New World Telephone Holdings Limited ("NWTHL"), a wholly-owned subsidiary of NWD, pursuant to which the Company agreed to purchase the 100% equity interest of New World PCS Holdings Limited ("NWPCS Holdings") and its subsidiaries (collectively, the "NWPCS Group") from NWTHL at an aggregate cash consideration of HK$1,250,000,000. This transaction (the "Reverse Acquisition") was completed on 6 July 2004 (the "Completion Date").

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NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION *(Continued)*

Under the generally accepted accounting principles in Hong Kong, the Reverse Acquisition, after taking into account the issuance of Subscription Shares, should constitute a reverse acquisition from accounting perspective since NWD has become the controlling shareholder of the Company after the Reverse Acquisition. For accounting purposes, NWPCS Holdings is regarded as the acquirer while the Company and its subsidiaries before the Reverse Acquisition (collectively, the "Logistics Group") are deemed to have been acquired by NWPCS Holdings. As a result, these consolidated financial statements have been prepared as a continuation of the consolidated financial statements of the NWPCS Group which has a financial year end date of 30 June, and accordingly:

(i) the assets and liabilities of the Logistics Group are recognised and recorded at the Completion Date at their fair values (the "Net Fair Value");

(ii) the assets and liabilities of the NWPCS Group are recognised and recorded at the Completion Date at their historical carrying values prior to the Reverse Acquisition;

(iii) the purchase consideration is deemed to have been incurred by NWPCS Holdings for the Reverse Acquisition and is determined by the total fair value of all the issued shares of the Company at the Completion Date (the "Deemed Consideration");

(iv) the goodwill arising from the Reverse Acquisition is determined by the surplus of the Deemed Consideration over the Net Fair Value;

(v) the capital and reserves of the Logistics Group upon the Completion Date are eliminated as the pre-acquisition reserves;

(vi) the consolidated issued equity of the Group as shown in the consolidated balance sheet represents the issued share capital and share premium balances of NWPCS Holdings upon the Completion Date, plus all the post-acquisition changes in the issued share capital and share premium of the Company, if any. On the other hand, the number and type of issued shares presented represent the actual equity structure of the Company; and

(vii) the difference between the actual consideration paid by the Company for the Reverse Acquisition and the Deemed Consideration is transferred to a consolidation reserve of the Group.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES

(a) Changes in accounting policies

(i) The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised standards and interpretations of HKFRS (collectively "new HKFRSs") below which are effective for accounting periods beginning on or after 1 January 2005.

From 1 July 2005, the Group adopted the HKFRSs below, which are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Properties
HKAS-Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(a) Changes in accounting policies *(Continued)*

(i) *(Continued)*

The adoption of HKASs 1, 2, 7, 8, 10, 17, 21, 23, 24, 27, 28, 33 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected certain presentation in the financial statements.

– HKASs 2, 7, 8, 10, 17, 23, 27, 28, 33 and HKAS-Int 15 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and certain other related party disclosures.

The adoption of HKAS 16 has resulted in a change in accounting policy of which the costs of property, plant and equipment include the estimated obligations which arise from future reinstatement of leased properties.

The adoption of HKASs 32, 39 and 39 (Amendment) has resulted in a change in accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. Furthermore, the convertible bond and subscription note issued are split into the liability and equity components at initial recognition by recognising the liability component at its fair value and attributing to the equity component the difference between the proceeds from the issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the reserve until the convertible bond or subscription note is converted or redeemed. In prior years, the convertible bond and subscription note were recognised as liabilities only.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Changes in accounting policies *(Continued)*

(i) *(Continued)*

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement as part of other income. Prior to the adoption of the standard, the increases in fair value, if any, would be credited to the investment properties revaluation reserves. Decrease in fair value was first set off against increases recognised in investment properties revaluation reserves on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of HKFRS 2 has resulted in a change in accounting policy for share-based payments. Until 30 June 2006, the provision of share options to employees did not result in an expense in the income statement. Effective on 1 July 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 July 2005 was expensed retrospectively in the income statement of respective periods.

The adoption of HKFRS 5 has resulted in a change in accounting policy for discontinued operations. An operation is classified as discontinued when the criteria to be classified as "held for sale" have been met or the Group has disposed of the operation. The application of HKFRS 5 does not impact on the prior year financial statements other than a change in the presentation of the results and cash flows of the discontinued operations.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards, whenever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 July 2005.

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 July 2005.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Changes in accounting policies *(Continued)*

(i) *(Continued)*

	Year ended 30 June 2006			
	HKFRS 5 *HK$'000*	HKAS 16 *HK$'000*	HKAS 32 & 39 *HK$'000*	Total *HK$'000*
Reclassified turnover to discontinued operations	(1,402,827)	–	–	(1,402,827)
Reclassified cost of sales to discontinued operations	836,095	–	–	836,095
Reclassified other revenue to discontinued operations	(716)	–	–	(716)
Reclassified other net income to discontinued operations	(1,022,434)	–	–	(1,022,434)
Reclassified selling expenses to discontinued operations	85,313	–	–	85,313
Reclassified administrative expenses to discontinued operations	420,168	–	–	420,168
Reclassified finance costs to discontinued operations	34,319	–	–	34,319
Reclassified taxation to discontinued operations	4,873	–	–	4,873
Net results reclassified as profit from discontinued operations	1,045,209	–	–	1,045,209
Increase in gain on disposal of subsidiaries	–	3,945	–	3,945
Decrease in impairment loss on intangible asset (goodwill)	–	–	32	32
Increase in administrative expenses	–	(90)	–	(90)
Increase in finance costs	–	(489)	(37,820)	(38,309)
Increase/(decrease) in profit for the year	–	3,366	(37,788)	(34,422)
Increase/(decrease) in basic earnings per share	HK$0.00	HK$0.04	(HK$0.42)	(HK$0.38)

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Changes in accounting policies *(Continued)*

(i) *(Continued)*

	As at 30 June 2006			
	HKFRS 5	HKAS 16	HKAS 32 & 39	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in investments in associated companies	–	(1,219)	–	(1,219)
Decrease in subscription note	–	–	39,869	39,869
Decrease in convertible bond	–	–	25	25
(Decrease)/increase in net assets	–	(1,219)	39,894	38,675
Increase in other reserves	–	–	112,695	112,695
Increase in accumulated losses	–	(1,219)	(72,801)	(74,020)
(Decrease)/increase in equity	–	(1,219)	39,894	38,675

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Changes in accounting policies *(Continued)*

(i) *(Continued)*

	Year ended 30 June 2005			
	HKFRS 5	HKAS 16	HKAS 32 & 39	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Reclassified turnover to discontinued operations	(1,662,873)	–	–	(1,662,873)
Reclassified cost of sales to discontinued operations	890,316	–	–	890,316
Reclassified other revenue to discontinued operations	(527)	–	–	(527)
Reclassified other charge to discontinued operations	1,081	–	–	1,081
Reclassified selling expenses to discontinued operations	101,178	–	–	101,178
Reclassified administrative expenses to discontinued operations	592,569	–	–	592,569
Reclassified finance costs to discontinued operations	20,548	–	–	20,548
Reclassified taxation to discontinued operations	21,015	–	–	21,015
Net results reclassified as profit from discontinued operations	36,693	–	–	36,693
Increase in administrative expenses	–	(423)	–	(423)
Increase in finance costs	–	(621)	(35,013)	(35,634)
Increase in loss for the year	–	(1,044)	(35,013)	(36,057)
Decrease/(increase) in basic loss per share	HK$0.00	(HK$0.01)	(HK$0.45)	(HK$0.46)

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Changes in accounting policies *(Continued)*

(i) *(Continued)*

	As at 30 June 2005			
	HKFRS 5	HKAS 16	HKAS 32 & 39	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in intangible asset (goodwill) *(Note)*	–	–	(32)	(32)
Increase in property, plant and equipment	–	1,944	–	1,944
Increase in rental and other deposits (non-current)	–	–	8,882	8,882
Decrease in rental and other deposits (current)	–	–	(8,882)	(8,882)
Decrease in subscription note	–	–	77,678	77,678
Decrease in convertible bond	–	–	36	36
Increase in asset retirement obligations	–	(6,529)	–	(6,529)
(Decrease)/increase in net assets	–	(4,585)	77,682	73,097
Increase in other reserves	–	–	112,695	112,695
Increase in accumulated losses	–	(4,585)	(35,013)	(39,598)
(Decrease)/increase in equity	–	(4,585)	77,682	73,097

Note:

As a result of the adoption of HKASs 32 and 39, the liability component of the convertible bond of the Logistics Group at the date of acquisition decreased by HK$32,000 from HK$28,286,000 to HK$28,254,000 (Note 36(c)). Hence, the fair values of net assets of the Logistics Group at the date of acquisition increased by HK$32,000 and the goodwill arising from the acquisition also decreased by HK$32,000.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Changes in accounting policies *(Continued)*

(ii) In prior years, when handset and mobile subscription services were sold at a package with handset subsidies offered to customers, consideration would be allocated to handset sales and mobile subscription service using the relative fair value model. Accordingly, the portion allocated to handset sales was recognised as sales upon delivery of goods, and the remaining amount allocated to mobile subscription services was amortised on a straight-line basis over the contract period. Handset subsidies were capitalised and amortised on a straight-line basis over the same contract period.

During the year, the Group changed its accounting policy to expense handset subsidies as incurred. The directors consider that the new accounting policy involves less subjective judgement and estimates. The financial impact has been restated retrospectively.

	Year ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Increase/(decrease) in turnover of discontinued operations	**3,327**	(41,920)
Increase in cost of sales of discontinued operations	**(16,514)**	(25,533)
Increase in gain on disposal of subsidiaries constituting discontinued operations	**101,302**	–
Increase in profit/(loss) for the year	**88,115**	(67,453)
Increase in basic earnings/(loss) per share	**HK$0.97**	(HK$0.86)

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Changes in accounting policies *(Continued)*

(ii) *(Continued)*

	As at 30 June	
	2006	2005
	HK$'000	*HK$'000*
Decrease in handset subsidies	**–**	(34,886)
Increase in accrued charges, other payables, deposits received and deferred income	**–**	(84,521)
Decrease in investments in associated companies	**(31,292)**	–
Decrease in net assets	**(31,292)**	(119,407)
Increase in accumulated losses	**(31,292)**	(119,407)

(b) Group accounting

(i) **Consolidation**

The consolidated financial statements of the Group include the financial statements of the Company and all its direct and indirect subsidiaries made up to 30 June.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(b) **Group accounting** *(Continued)*

(i) **Consolidation** *(Continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on the disposal of subsidiaries represents the difference between the proceeds of the sale and the Group's share of their net assets.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) **Associated companies**

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The group's investments in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(b) Group accounting *(Continued)*

(ii) Associated companies *(Continued)*

The group's share of its associated companies' post acquisition profits or losses is recognised in the income statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associated company at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in investments in associated companies. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment *(Continued)*

Property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Computer equipment	20%
Furniture and fittings	20%
Leasehold improvements	shorter of the lease term or 20%
Motor vehicles	20%
Testing equipment	33.33%
Digital, switching and transmission system	10% – 20%

Building situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

No depreciation is provided for any part of the construction in progress.

Historical costs of property, plant and equipment include expenditures that are directly attributable to the construction or acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

The gain or loss on disposal of a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises all direct costs of purchase. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(i) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to eligible employees in Hong Kong, the assets of which are held in separate trustee administered funds. The Group's contribution to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

For employees in the Mainland China, the Group contributes to retirement schemes managed by local municipal authorities in the Mainland China based on a percentage of the relevant employee's monthly salaries. The Group's contributions under such schemes are charged to the income statement as incurred while the relevant local municipal authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group in the Mainland China.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Employee benefits *(Continued)*

(iii) Bonus

Provisions for bonus due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iv) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(v) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(j) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantially enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(j) **Deferred taxation** *(Continued)*

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(k) **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(l) **Revenue recognition**

Mobile communications services revenue is recognised when the service is rendered and is based on the usage of the digital mobile radio telecommunication network and facilities. Mobile communications services revenue in respect of standard service plans billed in advance at year end is deferred and recognised when the service is rendered. Revenue received in advance for the provision of mobile communications services using prepaid cards is deferred and amortised based on the actual usage by customers. The portion of deferred revenue is included under current liabilities as deferred income.

Revenue from sales of mobile handsets and accessories is recognised when goods are delivered and title has passed.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Revenue recognition *(Continued)*

The Group derives technology related services revenue from the provision of value-added telecommunications services ("VAS"). The Group recognises its revenue net of applicable business taxes and other related taxes. Revenue from the provision of outsourcing services is recognised when services are rendered. Wireless VAS revenue is derived principally from providing mobile phones users with short messaging services, multimedia messaging services and wireless application protocol. These services are substantially billed on a monthly subscription basis or a per message basis ("Service Fees"). These services are predominately delivered through the platforms of various subsidiaries of China Mobile Communications Corporation and they also collect the Service Fees on behalf of the Group.

Operating lease rental income is recognised on a straight-line basis over the period of the leases.

Revenue from the provision of logistics technology services and logistics management services is recognised when services are rendered.

Interest income is recognised on a time proportion basis using the effective interest method.

(m) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(n) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(o) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(o) **Foreign currency translation** *(Continued)*

(iii) **Group companies** *(Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(p) **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) **Investments**

From 1 January 2003 to 30 June 2005, the Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as non-trading securities and trading securities.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Investments *(Continued)*

Investment securities are stated at cost less any provision for impairment losses. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the income statement. This impairment loss is written back to income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(r) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Investment properties *(Continued)*

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale under HKFRS 5.

(s) Licences

Licences are capitalised on the basis of the costs incurred to acquire and bring to us a specific licence. Licences have a definite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives. Other costs associated with the licences are recognised as expenses as incurred.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, cash flow and fair value interest rate risks and foreign exchange risk.

The Group's risk management program seeks to minimise the potential adverse effects of financial risks on the Group's performance.

(i) Credit risk

The Group has policies in place to ensure that provision of services are made to customers with an appropriate credit history.

(ii) Liquidity risk

The Group monitors current and expected liquidity requirements to ensure sufficient cash and adequate amount of committed credit facilities are maintained.

(iii) Cash flow and fair value interest rate risks

As the Group has no significant interest-bearing assets, the Group's income and operating cash flow are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

(iv) Foreign exchange risk

The Group mainly operates in the Mainland China and Hong Kong with most of the transactions settled in Hong Kong dollars and Renminbi ("RMB"). The Group's assets and liabilities, and transactions arising from its operations that are exposed to foreign exchange risk are primarily with respect to RMB. The Group has not used any forward contracts or currency borrowings to hedge its exposure as foreign exchange risk is considered minimal.

(b) Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3(d). The recoverable amounts of cash generating units have been determined based on the higher of their fair values less costs and their value-in-use calculations. These value-in-use calculations require the use of estimates. If the revised estimated gross margin at 30 June 2007 had been lower than management's estimates at 30 June 2006, the Group may need to reduce the carrying value of goodwill. If the revised estimated pre-tax discount rate applied to the discounted cash flows had been higher than management's estimates, the Group may need to reduce the carrying value of goodwill. Further, if the actual gross margin had been higher or the pre-tax discounted rate lower than management's estimates, the Group would not be able to reverse any impairment losses that arose on goodwill.

(ii) Deferred tax

The Group provides for deferred taxation in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are only recognised to the extent that it is probable future taxation profits will be available against which the unused tax losses or unused tax credits can be utilised, and significant judgement is required in determining whether it is probable.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

6 TURNOVER

The Group is principally engaged in the provision of mobile communications services, the sales of mobile handsets and accessories and the provision of technology related services. The Group has ceased the provision of mobile communications services and the sales of mobile handsets and accessories following the disposal of subsidiaries as set out in Note 37. Revenues from the provision of mobile communications services and the sales of mobile handsets and accessories recognised during the year up to the date of disposal of the subsidiaries are set out in Note 8. Revenues from continuing operations recognised during the year are as follows:

	30 June 2006 *HK$'000*	30 June 2005 *HK$'000* As restated
Technology related services	**16,381**	–
Gross rental income from an investment property	**134**	–
Logistics services	**–**	4,261
	16,515	4,261

7 SEGMENT REPORTING

(a) **Primary reporting format – business segments**

For the year ended 30 June 2006, the business segments include:

- technology related services; and
- mobile communications services.

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NOTES TO THE FINANCIAL STATEMENTS

7 SEGMENT REPORTING *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

The segment results for the year ended 30 June 2006 are as follows:

	Continuing			Discontinued
	Technology related services HK$'000	Mobile communications services HK$'000	Total HK$'000	Mobile communications services *(Note 8)* HK$'000
Turnover	16,515	–	16,515	1,402,827
Segment results	(14,759)	–	(14,759)	60,706
Other revenue			823	716
Other net (charge)/income	(72,959)	–	(72,959)	1,022,979
Other net income – unallocated			7,523	–
Unallocated corporate expenses			(19,140)	–
Operating (loss)/profit before finance costs			(98,512)	1,084,401
Finance costs			(62,786)	(34,319)
Operating (loss)/profit			(161,298)	1,050,082
Share of results of associated companies	–	27,731	27,731	–
(Loss)/profit before taxation			(133,567)	1,050,082
Taxation			–	(4,873)
(Loss)/profit for the year			(133,567)	1,045,209
Depreciation	(867)	–	(867)	(198,703)
Unallocated depreciation			(129)	–
			(996)	(198,703)
Capital expenditures	86	–	86	97,354
(Impairment loss)/reversal of impairment of				
– intangible assets	(72,959)	–	(72,959)	–
– investments in associated companies			7,523	–
– trade receivables	(215)	–	(215)	(8,706)
			(65,651)	(8,706)

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NOTES TO THE FINANCIAL STATEMENTS

7 SEGMENT REPORTING *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

The turnover and operating loss before finance costs derived from the Group's operation in logistics services constituted less than 10% of the Group's turnover and operating loss before finance costs, therefore, the logistics services business segment ceased to be a reportable segment.

The segment results for the year ended 30 June 2005 are as follows:

	Continuing		Discontinued
	Logistics services	Total	Mobile communications services *(Note 8)*
	HK$'000	*HK$'000*	*HK$'000*
Turnover	4,261	4,261	1,662,873
Segment results	(1,246)	(1,246)	77,729
Other revenue		108	527
Other net income		2,189	–
Unallocated corporate expenses		(3,353)	–
Operating (loss)/profit before finance costs		(2,302)	78,256
Finance costs		(44,739)	(20,548)
(Loss)/profit before taxation		(47,041)	57,708
Taxation		(51)	(21,015)
(Loss)/profit for the year		(47,092)	36,693
Depreciation	(722)	(722)	(258,191)
Unallocated depreciation		(345)	–
		(1,067)	(258,191)
Capital expenditures	–	–	140,791

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NOTES TO THE FINANCIAL STATEMENTS

7 SEGMENT REPORTING *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

The segment assets and liabilities as at 30 June 2006 are as follows:

	Technology related services *HK$'000*	Mobile communications services *HK$'000*	Total *HK$'000*
Segment assets	**11,292**	**–**	**11,292**
Investments in associated companies	**–**	**2,142,737**	**2,142,737**
Intangible assets	**–**	**–**	**–**
Unallocated assets			**142,357**
Total assets			**2,296,386**
Segment liabilities	**6,458**	**–**	**6,458**
Unallocated liabilities			**2,387,217**
Total liabilities			**2,393,675**

The assets of the Group's operations in logistics services constituted less than 10% of the total assets of the Group as at 30 June 2006, therefore, the logistics services business segment ceased to be a reportable segment.

The segment assets and liabilities as at 30 June 2005 are as follows:

	Mobile communications services *HK$'000*	Logistics services *HK$'000*	Total *HK$'000*
Segment assets	1,290,080	1,129	1,291,209
Investments in associated companies	–	–	–
Intangible assets	65,964	–	65,964
Unallocated assets			284,394
Total assets			1,641,567
Segment liabilities	522,764	189	522,953
Unallocated liabilities			2,148,545
Total liabilities			2,671,498

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

7 SEGMENT REPORTING *(Continued)*

(b) Secondary reporting format – geographic segments

The Group's business segments are operating in two main geographical areas:

Hong Kong : Mobile communications services, which are classified as discontinued operations, and technology related services; and

Mainland China : Technology related services.

	Segment assets	
	As at 30 June 2006	As at 30 June 2005
	HK$'000	*HK$'000*
Hong Kong	**207**	1,290,643
Mainland China	**11,085**	566
	11,292	1,291,209

	Turnover		Capital expenditure	
	30 June 2006	30 June 2005	**30 June 2006**	30 June 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong – continuing	**–**	4,261	**–**	–
Hong Kong – discontinued	**1,402,827**	1,662,873	**97,354**	140,791
Mainland China	**16,515**	–	**86**	–
	1,419,342	1,667,134	**97,440**	140,791

8 DISCONTINUED OPERATIONS

During the year, the Group entered into a merger agreement and amendment agreements pursuant to which the Group disposed of its entire interests in NWPCS Holdings to Telstra CSL Limited which has changed its name to CSL NWM and made a cash payment of HK$244,024,000 in exchange for the acquisition of 23.6% of the issued share capital of CSL NWM Group representing the enlarged group combining Telstra CSL Limited and NWPCS Holdings, and an amount due from CSL NWM, the associated company, of HK$113,328,000 (the "Merger Transaction"). The Merger Transaction was approved by the shareholders of the Company at the Extraordinary General Meeting on 24 March 2006 and completed on 31 March 2006. Hence, the NWPCS Group ceased to be subsidiaries of the Group and became part of the CSL NWM Group, associated companies of the Group after the Merger Transaction.

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NOTES TO THE FINANCIAL STATEMENTS

8 DISCONTINUED OPERATIONS *(Continued)*

An analysis of the results and cash flows of the discontinued operations is as follows:

	Nine months ended 31 March 2006 *HK$'000*	Year ended 30 June 2005 *HK$'000*
Turnover	**1,402,827**	1,662,873
Cost of sales	**(836,095)**	(890,316)
Gross profit	**566,732**	772,557
Other revenue	**716**	527
Other charge	**(545)**	(1,081)
Selling expenses	**(85,313)**	(101,178)
Administrative expenses	**(420,168)**	(592,569)
Operating profit before finance costs	**61,422**	78,256
Finance costs	**(34,319)**	(20,548)
Operating profit	**27,103**	57,708
Gain on disposal of subsidiaries	**1,022,979**	–
Profit before taxation	**1,050,082**	57,708
Taxation	**(4,873)**	(21,015)
Profit from discontinued operations	**1,045,209**	36,693
Net cash generated from operating activities	**131,421**	388,521
Net cash used in investing activities	**(96,302)**	(140,259)
Net cash used in financing activities	**(102,500)**	(270,073)
Total net cash outflow	**(67,381)**	(21,811)

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NOTES TO THE FINANCIAL STATEMENTS

9 OTHER REVENUE

	30 June 2006 HK$'000	30 June 2005 HK$'000 As restated
Bank interest income	**823**	108

10 OTHER NET (CHARGE)/INCOME

	30 June 2006 HK$'000	30 June 2005 HK$'000 As restated
Loss on disposal of property, plant and equipment	**–**	(1,247)
Gain on disposal of other investments	**–**	100
Gain on disposal of investment securities	**–**	2,089
Impairment loss on intangible assets	**(72,959)**	–
Reversal of impairment on investments in associated companies *(Note 21)*	**7,523**	–
	(65,436)	942

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

11 EXPENSES BY NATURE

Expenses included in cost of sales, selling and administrative expenses are analysed as follows:

	30 June 2006 *HK$'000*	30 June 2005 *HK$'000* As restated
Auditors' remuneration		
– Over provision in prior years for principal auditors	**(190)**	–
– Current year provision for principal auditors	**1,100**	1,182
– Current year provision for non-principal auditors	**1,185**	–
	2,095	1,182
Less: Current year provision for principal auditors included in discontinued operations	**(400)**	(598)
Current year provision for non-principal auditors included in discontinued operations	**(348)**	–
	1,347	584
Depreciation of property, plant and equipment	**996**	1,067
Net exchange losses	**384**	13
Operating lease rentals for land and buildings	**1,021**	–
Provision for impairment of trade receivables	**215**	–
Staff costs, including directors' emoluments *(Note 13)*	**20,213**	4,257

12 FINANCE COSTS

	30 June 2006 *HK$'000*	30 June 2005 *HK$'000* As restated
Interest on loans from a fellow subsidiary	**3,618**	–
Interest on promissory note issued to a fellow subsidiary	**11,499**	–
Interest on convertible bond *(Note 34)*	**860**	885
Interest on Subscription Note *(Note 2)*	**46,809**	43,854
	62,786	44,739

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

13 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	30 June 2006 HK$'000	30 June 2005 HK$'000 As restated
Wages and salaries	**12,182**	1,864
Bonuses	**6,165**	1,200
Pension costs – defined contribution plans	**1,866**	–
Termination benefits	**–**	1,193
	20,213	4,257

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to directors of the Company during the year are as follows:

	30 June 2006 HK$'000	30 June 2005 HK$'000
Fees	**780**	770
Other emoluments:		
Salaries and allowances	**3,000**	3,000
Bonuses	**6,505**	2,902
Pension costs – defined contribution plans	**225**	150
	10,510	6,822

Note: HK$5,786,000 (2005: HK$1,970,000) was included in staff costs of loss from continuing operations which was included in note 13 presented above. Remaining HK$4,724,000 (2005: HK$4,852,000) was included in profit from discontinued operations.

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NOTES TO THE FINANCIAL STATEMENTS

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Details of the emoluments paid and payable to the directors of the Company are as follows:

	Year ended 30 June 2006				
Name of Director	Fees	Basic salaries and allowances	Bonuses	Provident fund contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Dr. Wai Fung Man, Norman	50	3,000	5,305	225	8,580
Dr. Cheng Kar Shun, Henry	120	–	–	–	120
Mr. Doo Wai Hoi, William, *JP*	50	–	–	–	50
Mr. To Hin Tsun, Gerald	50	–	600	–	650
Mr. Chow Yu Chun, Alexander	50	–	600	–	650
Non-Executive Directors					
Mr. Lo Lin Shing, Simon	50	–	–	–	50
Mr. Ho Hau Chong, Norman	50	–	–	–	50
Independent Non-Executive Directors					
Mr. Wei Chi Kuan, Kenny *(Note)*	120	–	–	–	120
Mr. Kwong Che Keung, Gordon	120	–	–	–	120
Mr. Hui Chiu Chung, *JP*	120	–	–	–	120
	780	3,000	6,505	225	10,510

Note: Mr. Wei Chi Kuan, Kenny resigned on 8 September 2006.

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NOTES TO THE FINANCIAL STATEMENTS

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

	Year ended 30 June 2005				
Name of Director	Fees	Basic salaries and allowances	Bonuses	Provident fund contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Dr. Wai Fung Man, Norman	50	3,000	1,702	150	4,902
Dr. Cheng Kar Shun, Henry	119	–	–	–	119
Mr. Doo Wai Hoi, William, *JP*	49	–	–	–	49
Mr. To Hin Tsun, Gerald	51	–	600	–	651
Mr. Chow Yu Chun, Alexander	49	–	600	–	649
Non-Executive Directors					
Mr. Lo Lin Shing, Simon	51	–	–	–	51
Mr. Ho Hau Chong, Norman	50	–	–	–	50
Independent Non-Executive Directors					
Mr. Wei Chi Kuan, Kenny	120	–	–	–	120
Mr. Kwong Che Keung, Gordon	119	–	–	–	119
Mr. Cheng Ming Fun, Paul, *JP (Note)*	83	–	–	–	83
Mr. Hui Chiu Chung, *JP*	29	–	–	–	29
	770	3,000	2,902	150	6,822

Note: Mr. Cheng Ming Fun, Paul, *JP* resigned as director of the Company on 6 April 2005.

None of the directors of the Company waived any emoluments during the year.

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NOTES TO THE FINANCIAL STATEMENTS

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2005: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2005: four) individuals during the year are as follows:

	30 June 2006 *HK$'000*	30 June 2005 *HK$'000*
Salaries and allowances	**4,636**	6,098
Bonuses	**2,188**	2,838
Pension costs – defined contribution plans	**281**	300
	7,105	9,236

The emoluments of the individuals fell within the following bands:

	Number of individuals	
	30 June 2006	30 June 2005
Emolument bands		
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	1

15 RETIREMENT BENEFITS

During the nine months ended 31 March 2006, the Group contributed to an Occupational Retirement Scheme (the "ORSO Scheme") for employees in Hong Kong. Under the ORSO Scheme, the employees are required to contribute 5% of their monthly salaries, while the Group's contributions are calculated at a range from 5% to 10% of the monthly salaries of employees. The employees are entitled to 100% of the employer's contributions after 10 years of completed service, or at a reduced scale after completion of 3 to 9 years of service. Contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the ORSO Scheme prior to vesting fully in the Group's contributions. Since 1 April 2006, the Group ceased to contribute to the ORSO Scheme as all existing employees under the ORSO scheme had selected to change to a mandatory provident fund scheme (the "MPF Scheme") established by the Company under Hong Kong Mandatory Provident Fund Scheme Ordinance for employees in Hong Kong.

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NOTES TO THE FINANCIAL STATEMENTS

15 RETIREMENT BENEFITS *(Continued)*

Under the MPF Scheme, the employees are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,000 per month as a mandatory contribution, while the Group's contribution are calculated at a range from 5% to 10% of each individual's relevant income. Employer's mandatory contributions are 100% vested in the employees as soon as they are paid to the MPF Scheme. Employees may also elect to contribute more than the minimum as a voluntary contribution.

The Group also contributes to employee pension schemes established by municipal government in respect of certain subsidiaries in The People's Republic of China (the "PRC") for employees in the PRC.

The aggregate employer's contributions, net of forfeited contributions, which have been dealt with in the consolidated income statement during the year are as follows:

	30 June 2006 *HK$'000*	30 June 2005 *HK$'000*
Gross scheme contributions	**6,272**	4,420
Less: Forfeited contributions utilised to offset contributions for the year	**(643)**	(793)
Net scheme contributions	**5,629**	3,627
Less: Amount included in discontinued operations	**(3,763)**	(3,627)
Net scheme contributions of continuing operations	**1,866**	–

As at 30 June 2006, no forfeited contributions were available to reduce future contributions (30 June 2005: HK$212,000). No contributions were payable by the Group as at 30 June 2006 (30 June 2005: HK$1,082,000).

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16 TAXATION

Hong Kong profits tax has been calculated at 17.5% (2005: 17.5%). Taxation on profits in the PRC has been calculated on the estimated assessable profits at tax rates ranging from 15% to 33% (2005: Nil).

No provision for Hong Kong profits tax and PRC taxation has been made for the year as the Company and a number of its subsidiaries have no estimated assessable profit for the year and certain subsidiaries have sufficient tax losses brought forward to offset their estimated assessable profit for the year.

The amount of taxation charged to the consolidated income statement for the year represents:

	30 June 2006 *HK$'000*	30 June 2005 *HK$'000* As restated
Current taxation:		
– Under provisions in prior years	**–**	51
Taxation charge	**–**	51

The taxation on the Group's operating loss before share of results of associated companies differs from the theoretical amount that would arise using the taxation rate prevailing in the country in which the Group operates as follows:

	30 June 2006 *HK$'000*	30 June 2005 *HK$'000* As restated
Loss before taxation and share of results of associated companies	**(161,298)**	(47,041)
Calculated at a taxation rate of	**17.5%**	17.5%
Notional tax credit on loss before taxation	**(28,227)**	(8,232)
Effect of different taxation rates in other countries	**(2,195)**	–
Income not subject to taxation	**(321)**	–
Expenses not deductible for taxation purpose	**22,840**	8,232
Tax losses not recognised	**7,903**	–
Under provisions in prior years	**–**	51
Taxation charge	**–**	51

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17 EARNINGS/(LOSS) PER SHARE

The calculations of basic earnings/(loss) per share based on the share capital of the Company are as follows:

	30 June 2006	30 June 2005 As restated
Loss from continuing operations attributable to shareholders *(HK$'000)*	**(133,567)**	(47,092)
Profit from discontinued operations attributable to shareholders *(HK$'000)*	**1,045,209**	36,693
Profit/(loss) attributable to shareholders *(HK$'000)*	**911,642**	(10,399)
Number of shares *(Note a)*		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share *(Note b)*	**90,379,272**	78,668,311

Notes:

(a) The weighted average number of ordinary shares for the purpose of calculating the earnings/(loss) per share have been adjusted retrospectively for the one hundred-to-one share consolidation of the Company which took place on 7 July 2004 (Note 31(d)).

(b) Under the reverse acquisition method of accounting, the 4,166,666,667 Subscription Shares issued by the Company to PPG to effect the Reverse Acquisition described in Note 2 are deemed to be in issue throughout the year ended 30 June 2005 for the purpose of calculating the earnings/(loss) per share.

(c) No diluted earnings/(loss) per share are presented for the years ended 30 June 2006 and 2005 as the conversion of convertible bond and subscription note would not have dilutive effect on the loss from continuing operations.

18 PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit/(loss) attributable to shareholders is dealt with in the financial statements of the Company to the extent of loss of HK$145,573,000 for the year ended 30 June 2006 (2005: profit of HK$108,528,000).

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19 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Investment properties HK$'000	Leasehold buildings HK$'000	Computer equipment HK$'000	Furniture and fittings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Testing equipment HK$'000	Digital, switching and transmission system HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation										
At 30 June 2004,										
as previously stated	–	–	207,634	21,022	40,810	1,400	28,175	2,079,904	11,295	2,390,240
Asset retirement obligations	–	–	–	–	157	–	–	4,056	–	4,213
At 30 June 2004, as restated	–	–	207,634	21,022	40,967	1,400	28,175	2,083,960	11,295	2,394,453
Additions	–	–	8,017	437	4,942	394	–	115,498	11,503	140,791
Acquisition of subsidiaries	–	–	1,231	890	64	680	–	–	–	2,865
Disposals	–	–	(1,231)	(1,051)	(572)	(378)	–	(1,867)	–	(5,099)
At 30 June 2005, as restated	–	–	215,651	21,298	45,401	2,096	28,175	2,197,591	22,798	2,533,010
At 30 June 2005, as previously stated	–	–	215,651	21,298	45,244	2,096	28,175	2,193,535	22,798	2,528,797
Asset retirement obligations	–	–	–	–	157	–	–	4,056	–	4,213
At 30 June 2005, as restated	–	–	215,651	21,298	45,401	2,096	28,175	2,197,591	22,798	2,533,010
Additions	–	–	4,177	171	1,997	–	–	82,307	8,788	97,440
Acquisition of subsidiaries	3,900	–	2,118	232	114	177	–	–	–	6,541
Disposal of subsidiaries	–	–	(216,333)	(21,374)	(47,328)	(920)	(28,175)	(2,278,842)	(32,389)	(2,625,361)
Reclassification	(3,900)	3,900	(743)	(46)	(30)	–	–	16	803	–
Disposals	–	–	(2,674)	(41)	(39)	(495)	–	(1,072)	–	(4,321)
At 30 June 2006	–	3,900	2,196	240	115	858	–	–	–	7,309

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NOTES TO THE FINANCIAL STATEMENTS

19 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Group *(Continued)*

	Investment properties HK$'000	Leasehold buildings HK$'000	Computer equipment HK$'000	Furniture and fittings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Testing equipment HK$'000	Digital, switching and transmission system HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation										
At 30 June 2004, as previously stated	–	–	123,393	18,247	23,233	1,170	27,465	1,012,863	–	1,206,371
Asset retirement obligations	–	–	–	–	104	–	–	1,742	–	1,846
At 30 June 2004, as restated	–	–	123,393	18,247	23,337	1,170	27,465	1,014,605	–	1,208,217
Charge for the year, as previously stated	–	–	27,524	1,529	7,858	279	504	221,141	–	258,835
Asset retirement obligations	–	–	–	–	17	–	–	406	–	423
Charge for the year, as restated	–	–	27,524	1,529	7,875	279	504	221,547	–	259,258
Disposals	–	–	(781)	(280)	(398)	(377)	–	(930)	–	(2,766)
At 30 June 2005, as restated	–	–	150,136	19,496	30,814	1,072	27,969	1,235,222	–	1,464,709
At 30 June 2005, as previously stated	–	–	150,136	19,496	30,693	1,072	27,969	1,233,074	–	1,462,440
Asset retirement obligations	–	–	–	–	121	–	–	2,148	–	2,269
At 30 June 2005, as restated	–	–	150,136	19,496	30,814	1,072	27,969	1,235,222	–	1,464,709
Charge for the year	–	25	18,778	862	6,102	276	150	173,506	–	199,699
Disposals	–	–	(2,654)	(40)	(20)	(495)	–	(231)	–	(3,440)
Disposal of subsidiaries	–	–	(165,616)	(20,256)	(36,798)	(556)	(28,119)	(1,408,497)	–	(1,659,842)
Reclassification	–	–	(38)	38	–	–	–	–	–	–
At 30 June 2006	–	25	606	100	98	297	–	–	–	1,126
Net book value										
At 30 June 2005, as restated	–	–	65,515	1,802	14,587	1,024	206	962,369	22,798	1,068,301
At 30 June 2006	–	3,875	1,590	140	17	561	–	–	–	6,183

Note: The leasehold buildings are situated on leasehold land in Mainland China held on a medium term lease.

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19 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) Company

	Computer equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000*
Cost				
At 1 January 2004	1,361	900	242	2,503
Disposals	(1,361)	(900)	–	(2,261)
At 30 June 2005	–	–	242	242
Disposals	–	–	(242)	(242)
At 30 June 2006	–	–	–	–
Accumulated depreciation				
At 1 January 2004	787	256	80	1,123
Charge for the year	414	180	72	666
Disposals	(1,201)	(436)	–	(1,637)
At 30 June 2005	–	–	152	152
Charge for the year	–	–	–	–
Disposals	–	–	(152)	(152)
At 30 June 2006	–	–	–	–
Net book value				
At 30 June 2005	–	–	90	90
At 30 June 2006	–	–	–	–

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20 INVESTMENTS IN SUBSIDIARIES

	Company As at 30 June 2006 HK$'000	As at 30 June 2005 HK$'000
Unlisted investments, at costs *(Note a)*	**31,939**	1,262,670
Amounts due from subsidiaries *(Note b)*	**2,753,071**	577,673
	2,785,010	1,840,343
Less: Provision for impairment	**(287,434)**	(318,958)
	2,497,576	1,521,385

Notes:

(a) Particulars of the principal subsidiaries of the Company are as follows:

Name	Place of incorporation and operation	Particulars of issued share capital	Interest held by the Company	Interest held by the Group	Principal activities
New World CyberBase Solutions (BVI) Limited	British Virgin Islands	1 Ordinary share of US$1 each	100%	–	Investment holding
Upper Start Holdings Limited	British Virgin Islands	1 Ordinary share of US$1 each	100%	–	Investment holding
Jetco Technologies Limited	Hong Kong	1,250,000 Ordinary shares of HK$1 each	–	100%	Investment holding and property investment
上海易圖通信息技術有限公司	The PRC	Registered capital of RMB10,000,000	–	80%	Provision of Internet content services and telecommunication value-added services in the PRC

(b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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21 INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	30 June 2006	30 June 2005
	HK$'000	*HK$'000*
Beginning of the year	**–**	–
Acquisition of associated companies *(Note 36(b))*	**2,115,006**	–
Share of results of associated companies		
– Profit before taxation	**34,952**	–
– Taxation	**(7,221)**	–
	27,731	–
Reversal of impairment loss *(Note b)*	**7,523**	–
Dividend income *(Note b)*	**(7,523)**	–
	2,142,737	–

Investments in associated companies as at 30 June 2006 include goodwill of HK$1,007,935,000 (2005: Nil). The goodwill relates to the CSL NWM Group's (Note 36(b)) provision of mobile communications services. For the purpose of impairment testing of the goodwill, the recoverable amount of the investments in CSL NWM Group to which the goodwill is attributed is determined based on value-in-use calculation using cash flow projections based on financial forecasts covering a 5-year period including a terminal value with 2% terminal growth rate. The annual discount rate applied to cash flow projections is 5% and the annual subscribers growth rate used to extrapolate the cash flows during the forecast period is 8% at maximum.

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NOTES TO THE FINANCIAL STATEMENTS

21 INVESTMENTS IN ASSOCIATED COMPANIES *(Continued)*

(a) Particulars of the principal associated companies are as follows:

Name	Place of incorporation/ and operation	Particulars of issued share capital	Interest held indirectly	Principal activities
CSL New World Mobility Limited	Bermuda	655,886,331 shares of US$0.3163 each	23.6%	Investment holding
Hong Kong CSL Limited	Hong Kong	Nominal value of HK$2,031,043,443	23.6%	Provision of mobile telecommunications services and products
New World PCS Holdings Limited	Cayman Islands/ Hong Kong	Nominal value of HK$1,112,039,279	23.6%	Investment holding
New World PCS Limited	Hong Kong	Nominal value of HK$887,749,279	23.6%	Provision of mobile communications services and products

(b) During the year, the Group received dividend income of HK$7,523,000 from an associated company, Han International Consulting Company Limited, in which the Company held 30% interest of its issued share capital. Hence, the provision for impairment of the investment in the associated company was reversed by HK$7,523,000. The associated company was subsequently dissolved in January 2006.

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21 INVESTMENTS IN ASSOCIATED COMPANIES *(Continued)*

(c) Summary financial information on associated companies, which was extracted from the financial statements audited by another auditors after making appropriate fair value adjustments, is set out below:

	Three months ended 30 June 2006 *HK$'000*
Revenue for the period	**1,539,662**
Post acquisition profit for the period	**117,505**

	As at 30 June 2006 *HK$'000*
Non-current assets	**6,708,649**
Current assets	**982,712**
Non-current liabilities	**(860,479)**
Current liabilities	**(2,022,404)**
	4,808,478

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22 INTANGIBLE ASSETS

	Group		
	Licence	**Goodwill**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Cost			
At 1 July 2004	–	–	–
Acquisition of subsidiaries, as restated *(Note 2 and 36(c))*	–	65,964	65,964
At 30 June 2005, as restated	–	65,964	65,964
Acquisition of subsidiaries *(Note 36(a))*	1,470	5,525	6,995
At 30 June 2006	1,470	71,489	72,959
Accumulated impairment			
At 1 July 2004 and 30 June 2005	–	–	–
Impairment loss for the year *(Note a)*	1,470	71,489	72,959
At 30 June 2006	1,470	71,489	72,959
Net book value			
At 30 June 2005, as restated	–	65,964	65,964
At 30 June 2006	–	–	–

Note:

(a) The impairment loss was provided for the licence for the operation of a music website.

The goodwill of HK$65,964,000 was allocated to the mobile communications business of the NWPCS Group in the previous year when the business was the major cash generating unit of the Group in the previous year. During the current year, as the operations in technology related services of the NWCS Group (Note 36(a)) acquired in October 2005 has become the major cash generating unit after the disposal of the NWPCS Group (Note 37), the entire goodwill of HK$71,489,000 are allocated to the Group's operations in technology related services. As at 30 June 2006, the carrying amounts of the assets of the business unit exceed the recoverable amount of the business unit, which is determined based on value-in-use calculations using cash flow projections covering a 5-year period based on annual revenue growth rate ranging from 0% to 20% and a discount rate of 5%. Hence, impairment loss of HK$71,489,000 was provided for the goodwill.

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NOTES TO THE FINANCIAL STATEMENTS

23 DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5%.

The movements on the deferred tax assets account is as follows:

	30 June 2006	30 June 2005
	HK$'000	*HK$'000*
At beginning of the year	**167,472**	188,487
Deferred taxation charged to income statement *(Note 8)*	**(4,873)**	(21,015)
Disposal of subsidiaries	**(162,599)**	–
At end of the year	**–**	167,472

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable.

The Group has unrecognised tax losses of HK$257,767,000 (2005: HK$58,759,000) to carry forward against future taxable income subject to the agreement by the relevant tax authorities. Except for tax losses of HK$90,091,000 (2005: HK$ Nil) expiring within 5 years, the remaining balance has no expiry date.

The Company has unrecognised tax losses of HK$68,084,000 (2005: HK$49,194,000) to carry forward against future taxable income subject to the agreement by the relevant tax authority. The unrecognised tax losses have no expiry date.

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

		Group	
Deferred tax assets	**Provision**	**Tax losses**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 30 June 2004	2,669	300,517	303,186
Charged to income statement	(593)	(39,854)	(40,447)
At 30 June 2005	2,076	260,663	262,739
Charged to income statement	(24)	(22,446)	(22,470)
Disposal of subsidiaries	(2,052)	(238,217)	(240,269)
At 30 June 2006	–	–	–

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NOTES TO THE FINANCIAL STATEMENTS

23 DEFERRED TAXATION *(Continued)*

Deferred tax liabilities	**Group Accelerated tax depreciation** *HK$'000*
At 30 June 2004	114,699
Credited to income statement	(19,432)
At 30 June 2005	95,267
Credited to income statement	(17,597)
Disposal of subsidiaries	(77,670)
At 30 June 2006	–

24 INVENTORIES

	Group	
	As at 30 June 2006 *HK$'000*	As at 30 June 2005 *HK$'000*
Merchandise	**–**	38,024

25 TRADE RECEIVABLES

	Group	
	As at 30 June 2006 *HK$'000*	As at 30 June 2005 *HK$'000*
Trade receivables	**10,629**	105,881
Less: Provision for impairment of trade receivables	**(6,363)**	(11,866)
Trade receivables – net	**4,266**	94,015

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NOTES TO THE FINANCIAL STATEMENTS

25 TRADE RECEIVABLES *(Continued)*

The Group allows an average credit period of thirty to sixty days to its subscribers and other customers. The ageing analysis of trade receivables is as follows:

	Group	
	As at 30 June 2006	As at 30 June 2005
	HK$'000	*HK$'000*
1 – 30 days	**2,483**	71,091
31 – 60 days	**1,648**	13,455
61 – 90 days	**112**	9,469
Over 90 days	**23**	–
	4,266	94,015

26 AMOUNTS DUE TO FELLOW SUBSIDIARIES

The balances are unsecured, interest free and have no fixed terms of repayment.

27 AMOUNTS DUE FROM/TO ASSOCIATED COMPANIES

The balances are unsecured, interest free and have no fixed terms of repayment.

The amount due from an associated company as of 30 June 2006 represented sales consideration for the disposal of subsidiaries (Note 37).

The amount due to an associated company as at 30 June 2006 was reclassified from amount due from a subsidiary when the subsidiary was disposed of (Note 37) and became an associated company after the Merger Transaction (Note 8). The balance represents payments made by the then subsidiary on behalf of the Group.

28 AMOUNT DUE FROM A RELATED COMPANY

The balance represents expenses for sharing of offices to be reimbursed by a related company, New World CyberBase Limited. It is unsecured, interest free and has no fixed terms of repayment.

Mr. To Hin Tsun, Gerald, a director of the Company, is a director of New World CyberBase Limited.

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NOTES TO THE FINANCIAL STATEMENTS

29 CASH AND BANK BALANCES

	Group	
	As at 30 June 2006	As at 30 June 2005
	HK$'000	*HK$'000*
Balance with original maturities of three months or less *(Note a)*	**26,921**	116,534
Balances with original maturities of more than three months *(Note b)*	**770**	–
	27,691	116,534

Notes:

(a) Included in the cash and bank balances of the Group as at 30 June 2006 included balances with the PRC banks totalling HK$804,000 (30 June 2005: HK$226,000) which were denominated in RMB. The remittance of these balances outside the PRC is subject to foreign exchange control rules and regulations of the PRC.

(b) As at 30 June 2006, bank balances denominated in RMB of certain subsidiaries of the Group in the amount of approximately HK$770,000 (30 June 2005: Nil) have been frozen under PRC court order in relation to claims filed against the subsidiaries. Lawyers considered these claims were without merits, therefore, no disclosure of contingent liability is considered necessary.

30 TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	Group	
	As at 30 June 2006	As at 30 June 2005
	HK$'000	*HK$'000*
1 – 30 days	**80**	62,013
31 – 60 days	**120**	26,100
61 – 90 days	**172**	2,345
Over 90 days	**437**	17,628
	809	108,086

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31 SHARE CAPITAL

	Group *(Note a)* *HK$'000*
At 1 July 2004	1
Issue of shares *(Note b)*	299
At 30 June 2005	300
Issue of shares *(Note e)*	16,154
Disposal of subsidiaries *(Note a)*	(300)
At 30 June 2005	16,154

	Company *No. of shares*	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2004	10,000,000,000	100,000
Creation of additional shares *(Note c)*	190,000,000,000	1,900,000
Share consolidation *(Note d)*	(198,000,000,000)	–
Ordinary shares of HK$1.00 each at 30 June 2005 and 2006	2,000,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 January 2004	3,751,555,700	37,515
Issue of Subscription Shares *(Note 2(a))*	4,166,666,667	41,667
Share consolidation *(Note d)*	(7,839,040,144)	–
Ordinary shares of HK$1.00 each at 30 June 2005	79,182,223	79,182
Issue of shares *(Note e)*	16,153,846	16,154
Ordinary shares of HK$1.00 each at 30 June 2006	95,336,069	95,336

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NOTES TO THE FINANCIAL STATEMENTS

31 SHARE CAPITAL *(Continued)*

Notes:

(a) Before the disposal of the NWPCS Group on 31 March 2006, due to the use of reverse acquisition basis of accounting, the amount of share capital and share premium in the consolidated balance sheet represents the amount of issued shares of the legal subsidiary, NWPCS Holdings prior to the Reverse Acquisition and shares issued by the Company after the Reverse Acquisition. After the disposal of the NWPCS Group on 31 March 2006, the amount of share capital and share premium in the consolidated balance sheet represented that of the Company issued after the Reverse Acquisition after transferring the amount of share capital and share premium of NWPCS Holdings prior to the Reverse Acquisition to the consolidation reserve of the Group.

The equity structure (i.e. the number and types of shares) reflects the equity structure of the legal parent, the Company.

(b) 298,911,000 shares were issued on 6 July 2004 by the legal subsidiary, NWPCS Holdings, for capitalisation of loans.

(c) On 6 July 2004, the authorised share capital of the Company was increased from HK$100,000,000 to HK$2,000,000,000 by the creation of additional 190,000,000,000 ordinary shares of HK$0.01 each.

(d) On 7 July 2004, every 100 issued or unissued ordinary share of HK$0.01 each of the Company was consolidated into one consolidated ordinary share of HK$1.00 each.

(e) On 21 October 2005, 16,153,846 ordinary shares of HK$1.00 each of the Company were issued at HK$1.3 each to New World CyberBase Limited ("NWC") for acquisition of the entire issued share capital of New World CyberBase Solutions (BVI) Limited ("NWCS") (Note 36(a)).

(f) Share option schemes

At an extraordinary general meeting of the Company held on 28 May 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 11 September 1998 (the "1998 Share Option Scheme") and the adoption of a new share option scheme (the "2002 Share Option Scheme") in compliance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchanges (the "Listing Rules"). Upon termination of the 1998 Share Option Scheme, no further options could be granted under the 1998 Share Option Scheme. However, the outstanding share options granted thereunder would continue to be valid and exercisable in accordance with the provisions of the 1998 Share Option Scheme.

The 2002 Share Option Scheme is valid and effective for a period of 10 years commencing on 28 May 2002. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time unless separately approved by the shareholders in general meeting.

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NOTES TO THE FINANCIAL STATEMENTS

31 SHARE CAPITAL *(Continued)*

(f) Share option schemes *(Continued)*

An option may be exercised in accordance with the terms of the 2002 Share Option Scheme at any time during the period as the board of directors at their absolute discretion determine and in any event such period shall not be more than 10 years from the date upon which the offer of the option is made to the grantee. The directors may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.

Upon acceptance of the offer for an option, the grantee shall pay HK$1.00 as consideration for the grant. The subscription price of a share in respect of any option granted shall be determined by the board of directors at their absolute discretion but shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(i) Movements in the share options are as follows:

1998 Share Option Scheme:

	Exercise period	**Exercise price** *HK$*	**Number of options**
At 1 January 2003			159,900,000
Lapsed	15.8.2000 to 14.8.2003	0.284	(114,000,000)
	9.2.2002 to 8.2.2008	0.150 *(Note b)*	(900,000)
At 31 December 2003			45,000,000
Adjusted *(Note a)*			(44,352,000)
Lapsed			(448,000)
At 30 June 2005 and 30 June 2006			200,000

Note:

(a) The number and the exercise price of these share options were adjusted on 28 July 2004 as a result of the completion of the Subscription Agreement (Note 2) and the consolidation of the Company's shares (Note 31(d)).

(b) Exercise price has been adjusted from HK$0.150 to HK$2.440.

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NOTES TO THE FINANCIAL STATEMENTS

31 SHARE CAPITAL *(Continued)*

(f) Share option schemes *(Continued)*

2002 Share Option Scheme:

	Exercise period	Exercise price *HK$*	Number of options
At 1 January 2003 and 31 December 2003	–	–	–
Granted	28.1.2005 to 31.12.2010	1.260	2,916,000
	8.4.2005 to 31.12.2010	1.276	78,000
At 30 June 2005			2,994,000
Lapsed	28.1.2005 to 31.12.2010	1.260	(78,000)
At 30 June 2006			2,916,000

(ii) Share options outstanding at the end of the year have the following terms:

Exercise period	Exercise price *HK$*	As at 30 June 2006 Number of options
9.2.2002 to 8.2.2008	2.440	200,000
28.1.2005 to 31.12.2010	1.260	2,838,000
8.4.2005 to 31.12.2010	1.276	78,000
		3,116,000

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32 OTHER RESERVES

(a) Group

	Share premium *(Note 31(a))* HK$'000	Consolidation reserve *(Note 2)* HK$'000	Convertible bond reserve HK$'000	Total HK$'000
At 1 July 2004	999	–	–	999
Premium on issue of shares *(Note 31(b))*	913,793	–	–	913,793
Arising from Reverse Acquisition *(Note 2 and 36(c))*	–	(1,115,538)	–	(1,115,538)
Renewal of convertible bond *(Note 3(a)(i))*	–	–	40	40
Issue of subscription note *(Note 3(a)(i))*	–	–	112,655	112,655
At 30 June 2005, as restated	914,792	(1,115,538)	112,695	(88,051)
At 30 June 2005, as previously stated	914,792	(1,115,538)	–	(200,746)
Renewal of convertible bond *(Note 3(a)(i))*	–	–	40	40
Issue of subscription note *(Note 3(a)(i))*	–	–	112,655	112,655
At 30 June 2005, as restated	914,792	(1,115,538)	112,695	(88,051)
Premium on issue of shares *(Note 31(e))*	4,846	–	–	4,846
Disposal of subsidiaries *(Note 31(a))*	(914,792)	915,092	–	300
At 30 June 2006	4,846	(200,446)	112,695	(82,905)

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

32 OTHER RESERVES *(Continued)*

(b) Company

	Share premium *HK$'000*	Convertible bond reserve *HK$'000*	Total *HK$'000*
At 1 January 2004, as previously stated	450,770	–	450,770
Equity component of convertible bond	–	1,331	1,331
At 1 January 2004, as restated *(Note)*	450,770	1,331	452,101
Capital reduction *(Note)*	(444,168)	–	(444,168)
Renewal of convertible bond	–	(1,291)	(1,291)
Issue of subscription note	–	112,655	112,655
At 30 June 2005, as restated	6,602	112,695	119,297
At 1 January 2005, as previously stated	6,602	–	6,602
Renewal of convertible bond *(Note 3(a)(i))*	–	40	40
Issue of subscription note *(Note 3(a)(i))*	–	112,655	112,655
At 30 June 2005, as restated	6,602	112,695	119,297
Premium on issue of shares *(Note 31(e))*	4,846	–	4,846
At 30 June 2006	11,448	112,695	124,143

Note: Pursuant to a special resolution passed at the extraordinary general meeting held on 25 June 2004, the amount outstanding to the credit of the share premium of the Company of HK$450,770,000 was applied first to set off the accumulated losses of the Company as at 31 December 2003, and then to effect the distribution of special dividend. The remaining balance, if any, is to be applied as the directors of the Company may consider appropriate, subject to the compliance with the laws of Cayman Islands.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

33 PROMISSORY NOTE ISSUED TO AND LOANS FROM A FELLOW SUBSIDIARY – GROUP AND COMPANY

On 30 March 2006, the loan from a fellow subsidiary of HK$877,500,000 and accrued interest of HK$9,249,200 of the NWPCS Group was capitalised through the issuance of shares of NWPCS Holdings to the Company to extinguish debts of the NWPCS Group prior to the completion of the Merger Transaction (Note 8). On 30 March 2006, the aforesaid loan and accrued interest was replaced by a promissory note (the "Promissory Note") issued to the fellow subsidiary by the Company in an amount of HK$886,749,000. The Promissory Note is unsecured, repayable upon demand after eighteen months from the date of issue and bears interest at 0.65% above HIBOR per annum payable every three months in arrears. The effective interest rate of the Promissory Note was 5.1% per annum (2005: 1.9% for the loan of HK$877,500,000 from a fellow subsidiary).

On 31 March 2006, a new loan of HK$244,024,000 was drawn from the fellow subsidiary and is repayable upon demand after eighteen months from 31 March 2006. On 6 June 2006, an additional loan of HK$34,000,000 was drawn from the fellow subsidiary and is repayable upon demand after 28 August 2007. Both loans are unsecured and bear interest at 0.65% above HIBOR per annum payable every three months in arrears. The effective interest rate of the loans was 5.1% and 5.2% per annum respectively.

The carrying amounts of the Promissory Note issued to and loans from the fellow subsidiary approximated their fair values.

34 CONVERTIBLE BOND – GROUP AND COMPANY

On 2 November 2001, a convertible bond (the "Convertible Bond") of HK$39,286,000 (the "Principal Amount") was issued by the Company in favour of New World CyberBase Nominee Limited ("NWCBN"), a fellow subsidiary. It bears a flat-rate interest at 3% per annum accrued on a day-to-day basis on the outstanding Principal Amount of the Convertible Bond which is payable semi-annually in arrears. The effective interest rate of the Convertible Bond was 3.1% per annum (2005: 3.1%). The original maturity date of the Convertible Bond was on 1 November 2004.

In December 2003, a portion of the Principal Amount of the Convertible Bond of HK$11,000,000 was converted into 110,000,000 ordinary shares of HK$0.01 each of the Company at the conversion price of HK$0.10 per share.

In November 2004, the Company has agreed with NWCBN to extend the maturity date of the Convertible Bond to 1 November 2007.

The conversion price of the remaining portion of the Convertible Bond was adjusted to HK$1.22 per ordinary share after the completion of the Reverse Acquisition and share consolidation as detailed in Notes 2 and 31(d) respectively.

The carrying amount of the liability portion of the Convertible Bond approximated its fair value.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

35 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of operating loss before taxation to cash used in operations:

	30 June 2006 ***HK$'000***	30 June 2005 *HK$'000* As restated
Operating loss	**(161,298)**	(47,041)
Depreciation	**996**	1,067
Loss on disposal of property, plant and equipment	**–**	1,247
Gain on disposal of other investments	**–**	(100)
Gain on disposal of investment securities	**–**	(2,089)
Interest income	**(823)**	(108)
Interest expenses	**62,786**	44,739
Impairment loss on intangible assets	**72,959**	–
Reversal of impairment of investments in associated companies *(Note 21)*	**(7,523)**	–
Operating loss before working capital changes	**(32,903)**	(2,285)
(Increase)/decrease in trade receivables	**(1,252)**	8,613
Decrease in prepayments, deposits, other receivables, rental and other deposits	**490**	5,335
Decrease in amounts due to fellow subsidiaries and a related company	**(48)**	(581)
Decrease in trade payables	**(393)**	–
Increase/(decrease) in accrued charges, other payables, deposits received and deferred income	**7,785**	(15,904)
Decrease in bank balances with maturities of more than three months	**17**	–
Cash used in operations	**(26,304)**	(4,822)

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

36 BUSINESS COMBINATIONS

(a) Acquisition of NWCS Group on 21 October 2005

On 12 September 2005, the Company entered into a conditional sale and purchase agreement with NWC. Pursuant to the agreement, the Company agreed to acquire, and NWC agreed to dispose of, the entire issued share capital of NWCS and its subsidiaries (collectively, the "NWCS Group"), and the interest of NWC in the interest-free shareholder's loan due from NWCS for an aggregate consideration of HK$21 million. The consideration was satisfied by the issue of 16,153,846 ordinary shares of HK$1.00 each by the Company at an issue price of HK$1.3 per share, representing a discount of approximately 1.2% to the 10-day average closing price of the Company's share of approximately HK$1.316 per share for the last 10 consecutive trading days up to and including 12 September 2005 as quoted on the Stock Exchange. The acquisition was completed on 21 October 2005. The acquired business contributed revenues of HK$16,515,000 and net loss of HK$21,465,000 to the Group for the period from 22 October 2005 to 30 June 2006. If the acquisition had occurred on 1 July 2005, the contribution to the Group's revenue and net loss would have been HK$22,874,000 and HK$26,251,000 respectively.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
Shares issued *(Note 31(e))*	21,000
Less: Fair values of net assets acquired – shown as below	(15,475)
Goodwill *(Note 22)*	5,525

With the acquisition of the NWCS Group, the Group's capability to develop value-added mobile products and services and competitiveness in the mobile telecommunication industry are enhanced. In light of the growing demand for mobile Internet services in the PRC, the acquisition will also enable the Group to capitalise on the mobile Internet service market in the PRC. The goodwill is attributable to the aforesaid factors.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

36 BUSINESS COMBINATIONS *(Continued)*

(a) Acquisition of NWCS Group on 21 October 2005 *(Continued)*

The fair values of the assets and liabilities of the NWCS Group at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	6,541
Intangible asset	1,470
Trade receivables and other current assets	4,719
Cash and cash equivalents	9,896
Bank balances with maturities of more than three months	787
Accruals and other payables	(7,938)
Fair values of net assets acquired	15,475

The carrying amounts of the assets and liabilities of the NWCS Group approximated their fair values at the date of acquisition.

	HK$'000
Cash and cash equivalents acquired	9,896
Bank balances with maturities of more than three months	787
Cash inflow on acquisition	10,683

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NOTES TO THE FINANCIAL STATEMENTS

36 BUSINESS COMBINATIONS *(Continued)*

(b) Acquisition of CSL NWM Group on 31 March 2006

As mentioned in Note 8, the Group completed the acquisition of 23.6% of the CSL NWM Group on 31 March 2006. As a consequence, the CSL NWM Group has become associated companies of the Group. Since the acquisition, the CSL NWM Group contributed HK$27,731,000 to the Group's share of results of associated companies for the three months ended 30 June 2006. If the acquisition had occurred on 1 July 2005, the contribution to the Group's share of results of associated companies would have been HK$117,682,000.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
Carrying amounts of 23.6% of net assets of the NWPCS Group at the date of disposal *(Note 37)*	219,237
Fair value of 76.4% of net assets of the NWPCS Group at the date of disposal	1,732,713
Amount due from an associated company	(113,328)
Sales consideration of disposal of the NWPCS Group *(Note 37)*	1,838,622
Cash consideration	244,024
Professional fee incurred for the acquisition	32,360
Total purchase consideration	2,115,006
Less: Fair values of share of net assets acquired – shown as below	(1,107,071)
Goodwill *(Note 21)*	1,007,935

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NOTES TO THE FINANCIAL STATEMENTS

36 BUSINESS COMBINATIONS *(Continued)*

(b) Acquisition of CSL NWM Group on 31 March 2006 *(Continued)*

The fair values and carrying amounts of the share of assets and liabilities of the CSL NWM Group at the date of acquisition are as follows:

	Fair values *HK$'000*	Carrying amounts *(Note)* *HK$'000*
Non-current assets	6,736,856	7,512,480
Current assets	600,566	598,743
Non-current liabilities	(838,348)	(959,348)
Current liabilities	(1,808,097)	(1,808,097)
Net assets of the CSL NWM Group	4,690,977	5,343,778
Share of 23.6% of the net assets	1,107,071	1,261,132

Note: The carrying amounts were extracted from the financial statements of the CSL NWM Group as at 31 March 2006 audited by another auditors.

	HK$'000
Cash consideration	244,024
Professional fee paid for the acquisition	32,360
Cash outflow on acquisition	276,384

(c) Acquisition of Logistics Group on 6 July 2004

As mentioned in Note 2, NWPCS Holdings was deemed to have acquired the Logistics Group on 6 July 2004. The acquired business contributed revenues of HK$4,261,000 and net loss of HK$47,092,000 for the period from 6 July 2004 to 30 June 2005.

36 BUSINESS COMBINATIONS *(Continued)*

(c) Acquisition of Logistics Group on 6 July 2004 *(Continued)*

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
Cash consideration	50,000
Subscription Note issued *(Note 2)*	1,200,000
Reverse Acquisition adjustment *(Note 2(vii) and 32(a))*	(1,115,538)
Deemed consideration	134,462
Professional fee incurred for the acquisition	1,731
Total purchase consideration	136,193
Less: Fair values of net assets acquired at the date of acquisition – shown as below	(70,229)
Goodwill *(Note 22)*	65,964

As a result of the acquisition of the Logistics Group, the NWPCS Group became part of a listed group and would be able to provide investors, research analysts and rating agencies with greater clarity on its mobile telecommunications business and financial positions arousing greater interest from investors focused on mobile telecommunications business. The goodwill is attributable to the aforesaid considerations.

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NOTES TO THE FINANCIAL STATEMENTS

36 BUSINESS COMBINATIONS *(Continued)*

(c) Acquisition of Logistics Group on 6 July 2004 *(Continued)*

The fair values of the assets and liabilities of the Logistics Group at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	2,865
Investment securities	1,520
Other investments	800
Cash and bank balances	97,361
Trade receivables and other current assets	7,340
Accruals and other payables	(11,403)
Convertible bond, as restated *(Note 3(a)(i))*	(28,254)
	70,229

The carrying amounts of the assets and liabilities of the Logistics Group approximated their fair values at the date of acquisition.

	HK$'000
Cash and cash equivalents acquired	97,361
Purchase consideration settled in cash	(50,000)
Professional fee paid	(1,731)
Net cash inflow on acquisition	45,630

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NOTES TO THE FINANCIAL STATEMENTS

37 DISPOSAL OF SUBSIDIARIES

As mentioned in Note 8, the Group disposed of its interests in the NWPCS Group on 31 March 2006.

Details of net assets disposed of and gain on the disposal are as follows:

	HK$'000
Sales consideration:	
Investments in associated companies	1,838,622
Amount due from an associated company *(Note 27)*	113,328
Total sales consideration	1,951,950
Net book values of net assets disposed of	(928,971)
Gain on disposal of subsidiaries	1,022,979

The assets and liabilities disposed of at the date of disposal are as follows:

Property, plant and equipment	965,519
Deferred taxation	162,599
Rental and other deposits	5,949
Amount due from the immediate holding company	5,625
Amount due from fellow subsidiaries	1,784
Inventories	25,594
Trade receivables	107,035
Prepayment, other receivables, rental and other deposits	69,949
Bank overdraft	(384)
Trade payables	(73,251)
Other payables and accruals	(334,709)
Amount due to a related company	(40)
Asset retirement obligations	(6,699)
	928,971

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NOTES TO THE FINANCIAL STATEMENTS

38 CONTINGENT LIABILITIES

	Group	
	As at 30 June 2006	As at 30 June 2005
	HK$'000	*HK$'000*
Bank guarantees in lieu of deposits	–	8,528

39 COMMITMENTS

(a) Capital Commitments

	Group	
	As at 30 June 2006	As at 30 June 2005
	HK$'000	*HK$'000*
Contracted but not provided for	–	123,680
Authorised but not contracted for	–	138,284
	–	261,964

(b) Commitments under operating leases

At 30 June 2006, the Group had total future aggregate minimum lease payments under non-cancellable operating leases which expire as follows:

	Group	
	As at 30 June 2006	As at 30 June 2005
	HK$'000	*HK$'000*
Land and buildings		
Within one year	**873**	167,406
In the second to fifth year inclusive	**368**	98,298
After the fifth year	–	12,458
	1,241	278,162

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

40 RELATED PARTY TRANSACTIONS

(a) The continuing and discontinued operations of the Group undertook the following material transactions with related parties, which were carried out in the normal course of the business, during the year:

	Note	**30 June 2006** *HK$'000*	30 June 2005 *HK$'000*
Purchases from fellow subsidiaries	*(a)*	**(25,853)**	(38,794)
Purchases of property, plant and equipment from a related company	*(b)*	**(1,615)**	(6,320)
Service fee income from fellow subsidiaries	*(c)*	**3,443**	2,566
Rental expenses paid/payable to fellow subsidiaries	*(d)*	**(14,469)**	(24,431)
Loan interest paid/payable to a fellow subsidiary	*(e)*	**(34,190)**	(16,226)
Interest paid/payable for the promissory note issued to a fellow subsidiary	*(e)*	**(11,499)**	–
Interest paid/payable for the subscription note to an immediate holding company	*(f)*	**(9,000)**	(8,877)
Interest paid/payable for the convertible bond to a fellow subsidiary	*(g)*	**(849)**	(849)
Reimbursement of office administrative expenses and fee charged from a related company	*(h)*	**(6,636)**	(5,656)

Notes:

(a) Purchases were conducted in the normal course of business which are subject to the contract terms as negotiated by the parties involved.

(b) Purchases were conducted in the normal course of business which are subject to the contract terms as negotiated by the parties involved. Certain directors of the Company are also directors of the related company.

(c) Service fee was subject to the terms of the contracts entered by the parties involved.

(d) Rental expenses were charged at a fixed monthly fee subject to the terms of the contract signed by the parties involved.

(e) The interest was charged at 0.65% above HIBOR per annum.

(f) Interest charged by PPG, the subscription note holder and the immediate holding company of the Company, was charged at 0.75% per annum.

(g) Interest charged by NWCBN, the convertible bond holder and a fellow subsidiary, was charged at 3% per annum and was payable semi-annually in arrears.

(h) The reimbursement of office administrative expenses were charged on actual cost basis at a mark-up of 15%.

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NOTES TO THE FINANCIAL STATEMENTS

40 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation of the continuing and discontinued operations of the Group during the year is as follows:

	30 June 2006	30 June 2005
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**17,747**	15,608
Post-employment benefits	**506**	450
	18,253	16,058

FIVE-YEAR FINANCIAL SUMMARY

The historical figures represent financial information of NWPCS Group for the period from 2002 to 2004 and the Group for 2005 and 2006.

CONSOLIDATED INCOME STATEMENT

	For the year ended 30 June				
	2002 *HK$'000* (Restated)	2003 *HK$'000* (Restated)	2004 *HK$'000* (Restated)	2005 *HK$'000* (Restated)	**2006** ***HK$'000***
Turnover *(Note a)*	–	–	–	4,261	**16,515**
Profit/(loss) attributable to shareholders	85,924	187,875	111,177	(10,399)	**911,642**
Basic earnings/(loss) per share *(Note b)*	HK$2.06	HK$4.51	HK$2.67	(HK$0.13)	**HK$10.08**

CONSOLIDATED BALANCE SHEET

	As at 30 June				
	2002 *HK$'000* (Restated)	2003 *HK$'000* (Restated)	2004 *HK$'000* (Restated)	2005 *HK$'000* (Restated)	**2006** ***HK$'000***
Non-current assets					
Property, plant and equipment	1,383,382	1,289,694	1,186,236	1,068,301	**6,183**
Investments in associated companies	–	–	–	–	**2,142,737**
Intangible assets	–	–	–	65,964	**–**
Deferred taxation	237,422	224,353	188,487	167,472	**–**
Rental and other deposits	–	14,121	10,659	8,882	**–**
Total non-current assets	1,620,804	1,528,168	1,385,382	1,310,619	**2,148,920**
Net current (liabilities)/assets	(1,069,490)	(1,258,676)	(1,274,163)	(297,072)	**124,833**
Total assets less current liabilities	551,314	269,492	111,219	1,013,547	**2,273,753**
Representing:					
Share capital	1	1	1	300	**16,154**
Other reserves	999	999	999	(88,051)	**(82,905)**
Accumulated losses	(1,230,833)	(1,042,958)	(931,781)	(942,180)	**(30,538)**
Deficit on shareholders' funds	(1,229,833)	(1,041,958)	(930,781)	(1,029,931)	**(97,289)**
Non-current liabilities					
Non-current portion of long-term liabilities	–	372,500	102,500	–	**–**
Amount due to the immediate holding company	1,776,307	933,602	933,592	–	**–**
Loans from a fellow subsidiary	–	–	–	877,500	**278,024**
Promissory note issued to a fellow subsidiary	–	–	–	–	**886,749**
Convertible bond	–	–	–	28,250	**28,261**
Subscription note	–	–	–	1,131,199	**1,178,008**
Asset retirement obligations	4,840	5,348	5,908	6,529	**–**
	551,314	269,492	111,219	1,013,547	**2,273,753**

Notes:

(a) The turnover of the NWPCS Group has been reclassified to profit from discontinued operations as a result of the adoption of HKFRS 5.

(b) The calculation of basic earnings per share for the period from 2002 to 2004 is based on the NWPCS Group's profit attributable to shareholders and the deemed ordinary shares outstanding of 41,666,666 shares.